

Current History

A WORLD AFFAIRS MONTHLY

FEBRUARY, 1977

AMBASSADOR COLLEGE LIBRARY
Big Sandy, Texas

LATIN AMERICA, 1977

CUBA'S DEVELOPING POLICIES	George W. Grayson	49
BRAZIL: WALKING THE TIGHTROPE	Robin L. Anderson	53
ARGENTINA'S MILITARY GOVERNMENT	David C. Jordan	57
THE PERUVIAN REVOLUTION IN CRISIS	David P. Werlich	61
PANAMA: A SEARCH FOR INDEPENDENCE	E. Bradford Burns	65
INEQUALITY IN COLOMBIA	Dieter K. Zschock	68
AUTHORITARIAN URUGUAY	Arturo C. Porzecanski	73
KISSINGER'S LEGACY: A LATIN AMERICAN POLICY	Francis P. Kessler	76
BOOK REVIEWS • <i>On Latin America</i>		79
THE MONTH IN REVIEW		89
MAP • <i>Latin America</i>		Inside Back Cover

Current History

FOUNDED IN 1914

FEBRUARY, 1977
VOLUME 72 NUMBER 424

Editor:

CAROL L. THOMPSON

Assistant Editors:

MARY M. ANDERBERG

JOAN B. ANTELL

VIRGINIA C. KNIGHT

Contributing Editors:

ROSS N. BERKES

University of Southern California

RICHARD BUTWELL

State University of New York

O. EDMUND CLUBB

U.S. Foreign Service Officer (retired)

HANS W. GATZKE

Yale University

MARSHALL I. GOLDMAN

Wellesley College

NORMAN A. GRAEBNER

University of Virginia

OSCAR HANDLIN

Harvard University

STEPHEN D. KERTESZ

University of Notre Dame

RICHARD H. LEACH

Duke University

NORMAN D. PALMER

University of Pennsylvania

CARROLL QUIGLEY

Georgetown University

JOHN P. ROCHE

Fletcher School of Law and Diplomacy

A. L. ROWSE

All Souls College, Oxford

ALVIN Z. RUBINSTEIN

University of Pennsylvania

FREDERICK L. SCHUMAN

Portland State University, Emeritus

RICHARD VAN ALSTYNE

University of the Pacific

COLSTON E. WARNE

Amherst College, Emeritus

ARTHUR P. WHITAKER

University of Pennsylvania, Emeritus

President and Publisher:

DANIEL G. REDMOND, JR.

Vice President:

ELBERT P. THOMPSON

Published monthly (combined issues July/August) by Current History, Inc., 4225 Main Street, Philadelphia, Pa. 19127. Second class postage paid at Phila., Pa., and additional mailing offices. Indexed in *The Reader's Guide to Periodical Literature*. Individual copies may be secured by writing to the publication office. No responsibility is assumed for the return of unsolicited manuscripts. Copyright ©1977, by Current History, Inc.

Coming Next Month

MEXICO, 1977

Our March, 1977, issue examines the changing conditions in Mexico. Economic and social policies of the new government are among the issues discussed. Topics include:

Economy

by CALVIN BLAIR, University of Texas

Politics

by SALVATORE BIZZARRO, Colorado College

Income Distribution

by DAVID FELIX, Washington University

Women

by VICTORIA JUNCO MEYER, University of Wisconsin

Foreign Policy

by GEORGE W. GRAYSON, College of William and Mary

Education

by GEORGIO PERISSINOTTO, University of California, Santa Barbara

Family Planning

by MARVIN ALISKY, Arizona State University

\$1.75 a copy • \$14.50 a year

Canada \$15.50 a year • Foreign \$16.00 a year

Please see back cover for quantity purchase rates.

NO ADVERTISING

Current History

FEBRUARY, 1977

VOL. 72, NO. 424

How stable are the governments of Latin America? In this issue, specialists evaluate the policies of seven Latin American nations and of the United States. As our introductory article on Cuba points out, "Despite the severe economic problems caused by the drop in sugar prices, the Castro regime has broadened its political base, depersonalized its government, promoted a new group of technocrats, and gained the confidence of its East European benefactors."

Property of
EMBASSADOR COLLEGE LIBRARY
Big Sandy, Texas

Cuba's Developing Policies

BY GEORGE W. GRAYSON

Associate Professor of Government, College of William and Mary

LIVID because of the mid-air explosion of a Cubana Airlines jet near Barbados nine days earlier, Fidel Castro strode grimly into Havana's Plaza de la Revolución on October 15, 1976. The occasion was a mass funeral rally for the 57 Cubans who were among the 73 persons killed in the disaster. As widows sobbed into their handkerchiefs and children cried aloud, the paunchy, fatigue-wearing Premier—the world's most famous living revolutionary—blamed the deaths squarely on the United States Central Intelligence Agency and its "terrorist campaign" against his island republic.¹ In retaliation, Castro announced the cancellation of a 1973 anti-hijacking treaty between his country and the United States, under which each party pledged to try hijackers for the most serious offense under their law or to return the criminals to the nation where the hijacking originated.² Emphatically denying the accusation, United States Secretary of State Henry Kissinger termed the

abrogation "an unfriendly and irresponsible act" and threatened to hold Cuba accountable for any consequent instance of international gangsterism.

Castro's reaction to the Barbados plane crash again widened the gap between Cuba and the United States, whose relationship had begun to improve in early 1975.³ Because of détente and pressures from Congress and from Latin American allies to normalize relations, and in the light of growing doubt about the efficacy of its strategy, Washington had signaled a willingness to soften its policy toward Havana. On February 14, 1975, the State Department approved the sale of office furniture to Cuba by the Canadian subsidiary of Litton Industries. Three days later, restrictions on Cuba's United Nations diplomats were relaxed to permit their unfettered travel within a 250-mile radius of Manhattan instead of the previous 25-mile limit. Shortly thereafter, Kissinger told a Houston audience that his country was "prepared to move in a new direction" with respect to Cuba, if the Organization of American States (OAS) ended its 11-year diplomatic and commercial embargo of that nation. At the July 29, 1975, meeting of OAS foreign ministers in San José, Costa Rica, the United States delegation joined 15 Latin American nations in voting to lift these sanctions, which—in fact—had been ignored by 7 of the 21 signatories of the treaty under which they were imposed.⁴ While refusing to predict the date of renewed diplomatic ties with Cuba, William Mailliard, the chief United States delegate at the San José session, envisioned "conversations that might lead to some kind of normalization."⁵

¹The text of this speech was published in the Foreign Broadcast Information Service's *Daily Report* (Latin America), October 18, 1976, pp. Q-1 to Q-9.

²From 1961 to 1973, 145 planes (75 from the United States) of all sizes were hijacked to Cuba; since the treaty took effect, only one private plane and one yacht have been forced to go to the Caribbean nation; see *The Washington Post*, October 16, 1976, p. 1.

³A fuller discussion of U.S.-Cuban relations in 1975 appears in George Volsky's "Cuba's Foreign Policy," *Current History*, vol. 70 (February, 1976), pp. 69-72, 81.

⁴Only Chile, Paraguay and Venezuela opposed the resolution, while Brazil and Nicaragua abstained. Guatemala, which had originally abstained, switched her vote to "yes" as an expression of "solidarity" with the majority; see *Facts on File*, August 2, 1975, p. 547.

⁵*Ibid.*

Senators Jacob Javits (R., N.Y.), Claiborne Pell (D., R.I.), Edward Kennedy (D., Mass.), John Sparkman (D., Ala.), Gale McGee (D., Wyo.) and George McGovern (D., S.D.) joined the chorus of voices urging improved relations with Cuba, and pressing for the sale of food and medicine to the Castro government. And President Gerald R. Ford eased restrictions on exports to Cuba.

These signals did not go unnoticed in Havana, where Castro seemed to share an interest in rapprochement. In February, 1975, three United States citizens arrested on drug charges were released after serving their sentences. On May 7, Castro told reporters that the United States withdrawal from Southeast Asia and the resignation of President Richard Nixon, a man with a "personal hostility" toward the Caribbean republic, might usher in a new era in Cuban-United States affairs. Three months later, Cuba returned to Southern Airways \$2 million extorted by hijackers in 1972.

Thus the stage seemed set for the normalization of relations. However, the spirit of cordiality disappeared almost as quickly as it had appeared. In early September, Castro hosted a solidarity conference on behalf of the small Puerto Rican independence movement, which brought representatives of 79 countries and 18 international organizations to Havana. Then he dispatched an expeditionary force to assist the pro-Communist faction in the Angolan civil war. Finally, Cuba emerged as a cosponsor of the United Nations resolution equating Zionism with racism.

The confluence of these factors persuaded President Ford to speak his mind. In a December 20, 1975, news conference, President Ford stated:

I want to get it on record as forcefully as I can to say the action of the Cuban government in an effort to get Puerto Rico free and clear of the United States [as well as Cuba's involvement in Angola] erodes any chance for improvement of relations with the United States.⁶

Castro (against whose life a number of CIA plots

⁶*Ibid.*, December 27, 1975, p. 969.

⁷L. Fletcher Prouty, a retired Air Force colonel who formerly served in the Defense Department's Office of Special Operations, stated that two well-armed Cubans "who knew how to get to a building in Havana which overlooked a building where Castro passed daily" were flown to Cuba by the CIA in "late 1959 or 1960." This statement was made on April 25, 1975, before the blue-ribbon presidential commission, chaired by Vice President Nelson Rockefeller, investigating charges of illegal domestic intelligence activities; *Ibid.*, May 17, 1975, pp. 342-43. The Mafia was also linked to assassination plans, in testimony before the Senate Select Committee on Intelligence.

⁸In the event of hijackings after April 15, 1977, Castro also promised to return the passengers, crew, and airplane or boat promptly to the United States.

⁹According to the platform: "Relations with Cuba can only be normalized if Cuba refrains from interference in the internal affairs of the United States, and releases all U.S. citizens currently detained in Cuban prisons and labor camps for political reasons. We can move toward such relations if Cuba abandons its provocative actions and policies." See *Ibid.*, July 3, 1976, p. 478.

¹⁰*The Manchester Guardian Weekly*, February 22, 1976, p. 6.

¹¹*Ibid.*, February 29, 1976, p. 17.

had been directed)⁷ immediately responded that "there never will be relations with the United States" if the "price" is Cuba's abandonment of fraternal third world movements. In the final analysis, the Cuban leader seems ambivalent about closer ties with Washington. While Cuba needs imports, tourists and dollars, her revolutionary credentials could be compromised by a new relationship.

Still, Castro has promised to honor a six-month cancellation provision in the anti-hijacking treaty and to wait until April 15, 1977, before voiding the pact.⁸ This delay could allow further negotiation. But neither President Jimmy Carter nor the Democratic party platform have indicated that Cuba will be singled out for special attention.⁹

INVOLVEMENT IN ANGOLA

Cuba's involvement in the Angolan civil war was not an isolated event; Cuba is committed to a policy of support for "progressive governments" and "revolutionary movements" in Africa, Asia and Latin America. Castro himself has noted that soon after reaching power on January 1, 1959, his government sent arms to the Algerian freedom fighters. Six years later, Ché Guevara, the chief ideologist of the Cuban revolution, showed up as an adviser in the civil war in what is now Zaire. Disillusioned about the possibility of revolution in Africa, Ché and a band of Cubans launched their ill-fated Bolivian insurgency, designed to turn the Andes into the Vietnam of South America. Even before the October 9, 1967, execution of Ché by the CIA-assisted Bolivian authorities, Castro had begun to support the Angolan "liberation movement."¹⁰

Initially, Cuban aid was probably limited to technical advice, the training of guerrilla leaders in Communist tactics and organizational techniques, and occasional Angolan visits to Cuba for instruction. After the collapse of the Portuguese dictatorship on April 25, 1974, and before the granting of independence to Angola 19 months later, civil war erupted (in March, 1975) in the Peru-sized nation of Angola, which is rich in petroleum, iron ore, copper and diamonds. The principal power contenders were the National Front for the Liberation of Angola (FNLA), led by Holden Roberto and assisted by the United States and China; the Moscow-oriented Popular Movement for the Liberation of Angola (MPLA); and the Union for the Total Independence of Angola (UNITA), which enjoyed the support of China, South Africa and the United States.

The fighting began as skirmishes in March, 1975, and escalated during the spring and summer. Apparently rebuffed in an attempt to gain direct Soviet military support, the MPLA—possibly at the Kremlin's suggestion—turned to Cuba for help. In the spring, Castro dispatched 230 military advisers to establish four training centers for the MPLA, according to Deputy Prime Minister Carlos Rafael Rodríguez.¹¹

In June, Agostinho Neto, the MPLA's leader and now President of Angola, is believed to have requested substantial Cuban intervention. Soon thereafter, military units in Cuba were canvassed for volunteers for foreign duty. The first contingent boarded five merchant ships in late summer, sailed 6,000 miles across the equatorial Atlantic, and set foot on African soil around October 1. This sequence of events contradicts Cuba's claim that her increased assistance came after October 23, 1975, when South Africa launched a major drive into the Angolan heartland.

"Castro's globe-trotting gurchas," as United States Ambassador to the United Nations Daniel Patrick Moynihan called them, played a decisive role in the Angolan struggle. Before the landing of the first Cuban ground forces, the United States House of Representatives Select Committee on Intelligence reported that President Ford and the "Forty Committee," which oversees intelligence operations, had authorized \$14 million for CIA assistance to the FNLA and UNITA. In the aftermath of Vietnam, Watergate, and the revelation of covert activities in Chile, this report burst like a bomb over Washington, D.C., and led to a 54-22 Senate vote, on December 19, 1975, to prohibit further American aid to the anti-Moscow factions in Angola. At the same time, China—already skeptical that the MPLA could be defeated—continued to reduce her aid and, the South Africans began to withdraw. Thus the Cubans, massively supplied by the Soviet Union, tipped the scales in favor of their black comrades.

What factors explain Cuba's participation in a far-away civil war? The Castro regime has reiterated its support for the black people of Africa. After all, Castro has observed, "We are a Latin American and a Latin-African nation as well. African blood flows freely through our veins. Many of our ancestors came as slaves from Africa."¹² The Angolan episode was not Cuba's first nor is it likely to be her last intervention on the dark continent. Neto and several other African heads of state have recently appeared in Havana, and Cuba is believed to have sent training missions to a dozen or more African states.

As is evident in the ideological content of speeches, songs, paintings, architecture and textbooks, Cuba is devoted to revolution both inside and outside her borders, and Castro yearns for a prominent place in the pantheon of revolutionary heroes. At home, the revolution has been consolidated; yet Castro has been forced to

strike revolution from his list of exports to the rest of Latin America. Thus, the 50-year-old ruler has looked for new theaters for his revolutionary feats.

By flexing her muscle in Africa, Cuba also anticipates increased respect in Latin America, a region increasingly polarized by authoritarian military juntas at one end of the spectrum and stridently left-wing regimes at the other. Castro has identified his government with Puerto Rican separatists, with Panama's quest for national control over the Panama Canal, with the populist policies of the Peruvian military, and with the radical politics of Jamaica and Guyana. The Angolan venture enhances Castro's prestige among the left-leaning states of the hemisphere, and sparks concern in the democracies. As a member of Venezuela's Cabinet expressed it: "If he [Castro] can do it in Africa, so far from home, he also can do it anywhere in the Caribbean."¹³

The African campaign also provides combat experience for Cuba's highly professionalized and politically influential armed forces,¹⁴ which—after Brazil and Argentina—are the largest in Latin America. As many as one-eighth of the 117,000 soldiers in the Cuban army have seen African duty.¹⁵

Irrespective of Cuba's motives, it remains to be seen whether Angola is an isolated case or a prelude to desultory Cuban intrusion into third world trouble spots. Cuba's future role may depend on the outcome of her involvement with the Luanda regime. If Castro's forces can extricate themselves within a year or two, leaving behind a strong, competent and legitimate central government, there may be other major interventions. However, should the People's Republic of Angola turn into Cuba's Vietnam, requiring continued military support against the UNITA and FNLA, increased technical assistance, and generous financial help, Castro may think twice before responding to the next distress call.

A decision made six years earlier to democratize and institutionalize the Cuban revolution took form in 1976. A watershed in the development of the revolution occurred in 1970, when the Castro regime failed to reach a sugar harvest of 10 million tons—a target set to demonstrate the revolutionary vitality of the Cuban people. Until almost the end of the cane-cutting season, Fidel Castro, who had mobilized all available manpower, personally claimed that the target was attainable.

Failure to achieve the much publicized goal prompted the revolution's *líder máximo* to confess his own "ignorance" and inability to perform economic miracles.¹⁶ The failure convinced Castro that free-wheeling personalist leaders combined with ubiquitous Communist party meddling and a "come back tomorrow" bureaucracy had been inefficient. Shortly thereafter, he replaced a number of personal and political friends with individuals of recognized technical competence

¹²*Ibid.*, February 22, 1976, p. 6.

¹³Quoted in the *Miami Herald* on January 24, 1976, and reported in *Facts on File*, February 4, 1976, p. 138.

¹⁴Edward Gonzalez, "Castro and Cuba's New Orthodoxy," *Problems of Communism*, vol. 25 (January-February, 1976), p. 19.

¹⁵The size of Cuba's regular armed forces and the fact that the regime's defense budget was \$290 million (1971) were first published in the *Air Force Magazine* and the *Miami Herald* and later reported in *Facts on File*, January 31, 1976, p. 31.

¹⁶*Granma*, August 2, 1970, p. 2-3.

and organizational skill. Nine senior army officers were named to key government positions.¹⁷

The groundwork for reform was laid during the December 17-22, 1975, party congress—the first held by the Cuban Communist party (Partido Comunista de Cuba—PCC) since its founding 10 years earlier. Meeting in Havana's Karl Marx Theatre, the congress legitimized Cuba's Soviet-tutored party as a nationalist movement in the tradition of nineteenth and twentieth century movements that had fought Spanish colonialism and United States imperialism. It reassured the Kremlin of Cuba's reliability by praising Moscow for its unstinting assistance and by rehabilitating the "old Communists," members of the pre-revolutionary party with whom the *fidelistas* had often been at odds. And it broadened the base of the elite revolution, requiring mass consultation in preparing the party platform (a document based on "Marxist-Leninist principles"), electing (indirectly) the 3,116 delegates attending the congress, expanding the party's central committee from 91 to 112, and increasing its political bureau from 8 to 13 members.¹⁸ Cuba's leaders also expressed pride in the growth of their party's membership from 50,000 in 1965 to 202,807 in late 1975.¹⁹

In addition, the congress adopted Cuba's first socialist constitution, which was approved by 97.7 percent of the 5.5 million citizens voting in a February 15, 1976, referendum. The new fundamental law recognizes the party as "the highest leading force of the society and state" and identifies the vital role of mass mobilization groups like the Federation of Cuban Women, the neighborhood-centered Committees for the Defense of the Revolution, and the Confederation of Cuban Workers.

The charter, which Edward Gonzalez compares with the 1936 Soviet constitution,²⁰ devises a "People's Power Program" (Poder Popular), to decentralize decision making and reduce waste, with the help of a pyramid of governing institutions. At the base of the structure are 10,743 popularly elected members of municipal assemblies who, in turn, select 1,084 delegates to provincial assemblies and 455 delegates to the National Assembly of People's Power. Like the soviets in Russia, the municipal assemblies have assumed responsibility for restaurants, hospitals, schools, stores, public utilities, local transportation systems and recreational facilities. Moreover, they choose judges to preside over the "people's courts," which handle domestic disputes, public drunkenness, rowdy behavior and other petty problems.

Provincial assemblies are designed to control inter-city transportation, provincial commerce and the selec-

tion of judges for provincial tribunals. The National Assembly, formally established as a kind of Supreme Soviet on December 2, 1976, regulates all basic industries, fashions the curriculum for the country's schools, and names Supreme Court judges. As the national legislature, it selects a 31-member Council of State, whose duties may prove to be essentially ceremonial, like the Presidium of the Supreme Soviet in the U.S.S.R. The Council of State's President will serve as the head of government. He proposes the names of the Council of Ministers, who are approved by the National Assembly and who have the major responsibility for administration.

The assemblies have been created to improve the quality and efficiency of Cuba's government, marking an end to a personalist system that saw Castro barking orders from a jeep as he sped through the countryside. Optimists insist that the reforms will shrink the size of the public administration by 20 or 25 percent, give citizens a greater voice in influencing decisions that touch their lives, and shift the bureaucratic focus to the municipal level, where only 16 percent of the country's public employees were working under the old system.²¹

In addition, the six old provinces have been divided into 14 new provinces; the number of municipalities has decreased from 407 to 169, and the 58 regions—an intermediate layer of government between the municipality and the province created in 1963—have been abolished.

Assembly members will be citizen legislators; they will continue to work at their regular jobs, only receiving a "daily allowance" when they conduct public business. The overwhelming number of legislators are males; women make up only 14 percent of the candidates for delegate posts and 8 percent of those winning election. Members of the PCC or the mass mobilization groups account for about 60 percent of the successful candidates.

The emphasis on depersonalization and decentralization notwithstanding, no one should conclude that the reforms have attenuated Fidel Castro's power. He will probably emerge as the President of the Council of State and the Council of Ministers and as the commander-in-chief of the Revolutionary Armed Forces. In addition, his brother Raúl, now the Minister of the Armed Forces, will probably be elected Vice President. If for any reason Castro can not discharge his duties, Raúl will undoubtedly replace him.

(Continued on page 83)

George W. Grayson has made six trips to Latin America in the past ten years. He is the author of a study of Chilean politics entitled *El Partido Democrata Cristiano Chileno* (Buenos Aires: Editorial Francisco de Aguirre, 1968) and has written a number of articles for scholarly journals. He lectures at the Foreign Service Institute of the Department of State.

¹⁷Gonzalez, *op. cit.*, p. 6.

¹⁸*Ibid.*, pp. 2-3.

¹⁹*Granma*, January 4, 1976, p. 9.

²⁰Gonzalez, *op. cit.*, p. 8.

²¹*Latin America* (London), October 29, 1976, p. 335.

"Recent events in Brazil point toward a bleak future for much of the population. The economy is increasingly unstable, and the policies taken to correct flaws in the miracle model suffer from internal inconsistency and external pressures."

Brazil: Walking the Tightrope

BY ROBIN L. ANDERSON

Assistant Professor of Latin American History, Arkansas State University

AS the military government of President Ernesto Geisel approaches its third anniversary, it has come under increasing attack. Old opponents, the Catholic Church and the political opposition party, the Movimento Democrático Brasileiro (MDB), have been joined by large sectors of the business community and elements within the armed forces. President Geisel is balancing between those enjoying the slight relaxation of political restraint and the hard-line supporters of military domination.

In 1976, the Brazilian economy experienced what United States Secretary of State Henry Kissinger calls "occasional unevenness."¹ Government attention to the growth rate, which dropped to just over 4 percent in 1975, and was expected to stand at zero in 1976, is a reflection of its anxiety about the economic slowdown and its political impact. Nearly every aspect of the economy has come under scrutiny, from steel to agriculture, but no unified, coherent plan of action has yet appeared. Instead, the Geisel government appears to be experimenting with several approaches in an effort to prevent a serious recession while allowing the economy to "cool off," at the same time keeping the political lid on a pot already simmering with moderately voiced criticism of the regime. Geisel is walking a tightrope, and there is no reason to expect safety at the end of the rope. Minister of Finance Mário Henrique Simonsen and others in the Geisel administration are now seeking to redirect the "Brazilian Miracle" and recharge the economy. Brazilian technocrats understand that Brazil cannot remain vulnerable to shifts in world trade in terms of strategic industries, necessary raw materials and, most important, sources of energy. A new emphasis on import substitution, heavy industry, and new energy sources will affect both the domestic market and foreign trade.²

At the root of Brazil's unfavorable economic situa-

tion is the high cost of the foreign oil that Brazil must buy to keep her industries running. As a result, Brazil is searching for alternative energy sources, both at home and abroad. In the immediate future, she will continue to depend on oil imported from abroad or pumped from the fields at Campos, which are expected to be in production in 1977. President Geisel's decision to allow foreign exploration for oil in Brazil has not yet borne fruit, and no contracts have been signed. On the other hand, Petrobras, the national monopoly, has signed risk contracts for oil exploration in Iraq, Libya, and Algeria. The contract with Iraq has already resulted in a major strike near Baghdad that could provide half of Brazil's needs at a cost below current world market prices.

Looking beyond oil, Brazil has purchased nuclear reactors from West Germany and has signed pacts with France concerning technology and uranium exploration. By developing nuclear capability in the form of breeder reactors, Brazil hopes to become nearly self-sufficient in energy, based on nuclear power alone.³

Brazil is also developing a new energy policy with regard to hydroelectric power. The binational Itaipú project on the Paraná River, when it is completed in 1983, should generate enough electricity to supply most needs in the high-use areas of the South and Central South. A project with implications for improved relations between Brazil and Paraguay, it is also expensive, with estimated completion costs as high as \$20 billion. Such heavy costs will have to be paid through foreign borrowing.

Brazil has a distinctly independent foreign policy, partly in reaction to her need for friendly relations with foreign oil producers. Brazil supported the Arab-backed United Nations resolution on Zionism as a form of racism; to the dismay of the Jewish community in Brazil. Brazil's diplomatic recognition of the Cuban-supported MPLA in Angola stems from hopes for oil from the Cabinda fields, and from a continuing desire to have a strong voice in the affairs of former Portuguese Africa.

¹News Conference, Brasilia, February 21, 1976.

²See *The London Times*, Supplement, May 3, 1976, p. 5.

³Robert M. Levine, "Brazil, the Aftermath of 'Decompression,'" in *Current History*, February, 1976.

Brazil's independent attitude is also reflected in United States-Brazilian relations. In an effort to improve relations, United States Secretary of State Henry Kissinger and Brazilian Foreign Minister Antônio Azeredo da Silveira signed a memorandum of understanding, an agreement for regular consultation on international political and economic issues of mutual interest. The agreement, which will cover trade, technology, political issues, and the coordination of national policies, has enjoyed moderate popularity in Brazil but is seen by other Latin American countries as a dangerous sign of Brazil's growing power. By pursuing a foreign policy aimed at a third world viewpoint, Brazil has not been so friendly to the United States as she once was. Silveira has made it clear that if the United States does not support Brazil's economic growth, Brazilians will look elsewhere. The memorandum of understanding is designed to bring Brazil back to the West and identify her interests more closely with developed industrial nations like the United States.

President Geisel made two state visits to Europe in 1976, to strengthen economic and diplomatic ties with France and England. His reception in England was mixed, because the debate over human rights in Brazil has been reopened. Britain's Labor government has been arguing that Brazil is not like Chile, which is seen as a special case for international censure and sanction. The Labor party, on the other hand, has issued an explicit condemnation of the Geisel invitation. Geisel's arrival in Paris was marked by widespread opposition. Geisel's hopes for loans from France may have been reduced sharply by the cautious attitude expressed by French Economic Minister Jean-Pierre Fourcade. In short, Brazil seems to have a less than perfect relationship with West Europe and the United States.

BALANCE OF PAYMENTS AND HOPEFUL SOLUTIONS

As a result of oil price increases and a general world trade recession, plus domestic problems, Brazil's foreign debt has risen sharply. It was expected to reach \$27 billion by the end of 1976, the highest of any developing country. Debt servicing and amortization costs absorbed over 40 percent of Brazil's total export earnings in 1975, and would be at least that high in 1976. The trade deficit picture is improving, but not quickly enough, as costs of debt servicing climbed to \$3.2 billion in 1975 and would rise nearly another \$1 billion in 1976. The programs to counteract the problem, which center around import substitution, will require initially heavy foreign borrowing, which will increase the debt. Should the world terms of trade turn against Brazil, the situation could be critical.

Brazilian and North American observers expect

⁴International Marketing Information Series, *Foreign Economic Trends and their Implications for the United States* (Brasilia: United States Embassy, July, 1976).

Brazil to finance the account deficit in 1976 without having to dig too deeply into dwindling foreign exchange reserves. Brazil's credit is still good on the international money market and still attracts foreign bank loans and direct investment. However, interest rates are going up on loans, as the recent \$300-million loan from London banks to the State of São Paulo demonstrated. Economists are not very hopeful about long-term chances of paying the foreign oil bill and foreign debt without continued massive foreign aid, which will eventually exacerbate the situation if unchecked.⁴

The official solution to the trade deficit was to push for zero growth in the gross national product in 1976. Nevertheless, the growth rate might reach the 1975 level of 4 percent in 1976 in spite of government attempts to curb it even more sharply. Zero growth rate is accompanied by unpopular measures, and 1976 was an election year, so the real screw-tightening would not come until late November or December.

Finance Minister Simonsen is directing the fight against the increasing national debt primarily by restrictions on imports, by import substitution, and by increased exports of raw materials and manufactured goods. Imports have been ordered cut by at least 40 percent, to counteract the loss of export earnings. In December, 1975, laws governing imports were tightened, requiring prior deposits for roughly 30 percent of all imports. Prior deposit laws require importers to deposit in the Banco do Brasil the value of imports to be ordered before a license is issued; the deposits receive neither interest nor monetary correction.

The result has been to raise the cost of imports by as much as 40 percent, but as yet import demand has not slowed dramatically. Signs of a squeeze are showing, but it will take several months to use up stocks and force consumer buying away from imports. Supposedly, import deposit funds are to be channeled into loans to small and medium businesses to prevent their disappearance in the face of competition from multinational corporations, but such plans are widely regarded as campaign promises.

In addition to the import deposit scheme, the government has instituted other restrictions. Import licenses will not be issued for 1,000 "superfluous" imports, basically a psychological restriction. Public sector spending on imports has been slashed by 25 percent. All these measures will, in time, curb imports, but they are unpopular among the working classes and the business community.

The overwhelming desire of economic planners is to give Brazilian industry the ability to supply all domestic needs, particularly for heavy industry, and to export manufactured goods to pay off the national debt. The immediate result will be substantial price increases for machinery, which will be reflected throughout the economy until economics of scale involving exports can be achieved. It has been argued that in some areas

domestic manufacture of all heavy equipment will never be profitable because of the limited market, particularly in the mining industry.⁵

In the meantime, while Brazil converts to a heavy industrial base, her bills are paid by exports of agricultural products and minerals. In 1976, the major agricultural exports, which currently provide 60 percent of export earnings, continue to be coffee, sugar, and soybeans. Soya will continue to be the most important single export item until coffee recovers from the frost disaster, although it faces stiff competition from the United States. In 1976, coffee is expected to earn as much as \$2.2 billion, and soya about \$1.2 billion. Due to good harvests in several crops and rising coffee prices, agriculture will continue to pay for a great deal of the new industrial development.

The government has put high priority on exploration and development of mineral resources to pay for today's foreign borrowing and to provide raw materials for tomorrow's heavy industry. Iron ore is the big success story, with sales of \$850 million in 1975, and projections to almost triple production by 1980. Financing of mining is largely foreign, and foreign banks are pumping nearly \$2 billion a month into mining, processing, and infrastructure like ports and railroads. Such borrowing has added greatly to the national debt, but is regarded as necessary for growth.

Continued economic growth in Brazil hinges on an upturn in world trade to restore markets for those goods Brazil can sell. The overall situation is considerably more complex, however. An upturn in world trade will make loans less accessible as capital is occupied in other sectors, thus driving up interest on the national debt. Improvement in world trade will also raise prices on raw materials like copper, which Brazil must import. The end of the recession will push up prices on the heavy capital goods needed for import substitution. In short, Brazil may be in a Catch-22 situation: whether the economy grows faster or stands still, the balance of payments is going to get worse.

THE MULTINATIONALS OR STATISM?

Much foreign investment remains in the hands of the multinational corporations, another "tightrope" situation for Geisel and his ministers. They deplore the loss of earnings of the multinationals and are seriously concerned about decisions made abroad that affect Brazilian economic development. On the other hand, the private sector has not shown any indication that it will assume the manufacturing role of the multinationals. The alternative, from a government standpoint, is state operation of such enterprises, particularly mining and heavy manufactures. However, the business commu-

nity is increasingly worried about "estatização," the state-run economy.

The multinational corporations indeed command a large portion of the Brazilian economy. Approximately 500 foreign firms account for almost half of the national export. Multinationals dominate whole industries, controlling 100 percent of automobile manufacture, 94 percent of pharmaceuticals, 91 percent of tobacco, and 82 percent of rubber production. Nevertheless, Brazil badly needs the export earnings derived from the corporations, and must try to control the multinationals without scaring investors. President Geisel has openly welcomed the multinational corporations; he said in a foreign policy speech in 1975 that the government "recognizes their important role as vehicles for the channeling of foreign financial resources, for transferring technology and instilling management skills in the nation's economy, as well as for broadening and diversifying the scope of exports."⁶

Despite opposition from the business community and the nationalist military, some government officials see the increased role of the state in business as a buffer against the multinationals. The government has commanded an increasing share in the economy, with a fourfold rise since 1945, mostly in basic services and in industries like petroleum, railroads, utilities, and steel. The state also controls a good deal of the manufacturing sector and holds a tight rein on credit. The government role is usually explained as the only way to develop industries requiring large capital outlay. The business community fears for its future, where it must compete with multinational corporations and state-run businesses, a highly unpalatable prospect.

Considering the economic tightrope, it is not surprising that the workers face an increasingly grim situation. The purchasing power of the working class has fallen by almost 30 percent since 1964; wage increases have not kept pace with inflation. Wage increases in 1975, the first time that they exceeded the inflation rate, restored wages to 1973 levels, and the wage increase in 1976 was considerably less. The raise announced in May was only 44 percent, while the cost of living rose 38 percent in 12 months ending in May, 1976. The slight margin was quickly consumed by the rate of inflation in 1976.⁷

Food prices have increased at a rate far higher than the official rate of inflation. In Rio de Janeiro, manioc flour, black beans, and rice have risen by 130 percent, 45 percent, and 25 percent respectively. Meat has risen by 60 percent, tapioca by 166 percent. The average Brazilian is spending nearly half his wages on food alone. Rent hikes accompany raises in the minimum wage; transportation costs skyrocket with the cost of imported fuel. Families with two or more employed are earning less in real wages today than families with one working member earned ten years ago.

The economic boom has not provided jobs for Brazil's

⁵*The London Times*, Supplement, May 3, 1976, p. 6.

⁶*Latin America*, vol. 9, no. 47 (November 28, 1975), p. 376.

⁷*Latin American Economic Report*, vol. 4, no. 34 (August 27, 1976), p. 133.

working-age population. An estimated 33 million adults are subsistence farmers or are "underemployed." Wives often cannot work to earn extra money because of the costs of child care. Industrial cities grow at an alarming rate; São Paulo has approximately nine million people, with an annual increase of another half million. The poor suburbs have been receiving waves of refugees from the drought in the northeast in search of jobs. The government's argument that overall living standards have improved despite the drop in real wages does not appear to be supported by the facts.

In spite of a slight relaxation in censorship and the suppression of free speech, labor remains without a voice. Strikes and collective bargaining are still prohibited, and the government maintains files on thousands of potential activists. Less than one-third of the work force is unionized, and most workers have never heard of a union. Labor turnover, or *rotatividade*, is routinely practiced by businesses; while the labor force has grown by 50 percent, dismissals have risen by 500 percent.

DISSATISFACTION AMONG MILITARY AND BUSINESS INTERESTS

President Geisel has not enjoyed the consistent clear support of any group. Instead, he has tried to formulate a policy somewhere between political liberalization and the hard-line military, a nearly untenable position. The outcry surrounding the Vladimir Herzog case in 1975 and the elections in November, 1976, made his position even more precarious. The uncertain state of the economy, the dissatisfaction of large sections of the population, and the attempted opposition of the MDB make it clear that Geisel is not on politically firm ground.

In fact, he was the target of a conspiracy late in 1975. Several generals of the hard-line faction started a campaign against Geisel, creating an atmosphere of insecurity and tension that would persuade other military leaders that he was no longer in command and should be replaced. The arrest and harassment of suspected "Communists" was part of the plan, and among those questioned was Vladimir Herzog, a highly respected journalist. His subsequent "suicide" led to widespread publicity and outcry, and the conspiracy was aborted, leaving its leader, General Ednardo D'Avila de Melo, vulnerable to reprisal from Geisel supporters.

The problem stemmed from a general lack of confidence following Geisel's decision to allow foreign oil companies to explore in Brazil. Both civilian and military criticism increased. The working coalition of "Geisel's friends" in the Cabinet broke down, with increasing friction among the ministers. Concern was also evidenced within the military and administration because of Geisel's increasing isolation from the government and his failure to discuss economic issues.

By January, 1976, Geisel was well on his way to restoring his image and power among the military. The

Herzog case improved his position, as moderate generals swung their support to him, away from the hard-liners. He also began turning away from his earlier policy of *distensão* toward a more repressive position. The "new look" in Brazilian politics includes increased repression, which is popular among the military where Geisel must have support. General D'Avila de Melo was suddenly sacked after a second political prisoner died while under his care, allegedly a suicide. Geisel was undoubtedly looking for any excuse to retire D'Avila de Melo early, after that general's role in the abortive conspiracy. However, the hurried, panicky reaction by the government to this second death served to focus public attention firmly on repression.

In a move to improve his image among the military, President Geisel decreed pay increases well above the rise in the minimum wage. Increases ranged from 300 percent at the top of the military scale, to 30 percent at the bottom. Such a move defused unrest in the higher echelons, even though it greatly increased the pay differential in the lower ranks. It does, however, disturb those who had trusted Geisel's promise that he would correct the increasing concentration of wealth.

Even though Geisel's term does not expire until 1978, there is already some jockeying for his successor. There is no discussion about a civilian successor, as Geisel had originally hoped; the wave of repression indicates that the military will not relinquish political power. Promotions in April, 1976, were extremely important to insure Geisel's support from the army, since the majority of men promoted were hard-liners. General João Batista Figueiredo, the head of the Serviço Nacional de Informações, made a strong bid for the presidency but was unsuccessful. The behind-the-scenes struggle appears to have strengthened Geisel, and he may well be able to name his own successor.

While President Geisel has managed to improve his position within the military, the dissatisfaction of moderate former supporters continues to rise. Businessmen are increasingly grumbling about various economic policies. Nostalgia for the Médici administration and for the Médici economic czar, Delfim Neto, adds to general dissatisfaction.

The two most hotly discussed issues in Brazil are inflation and the role of the state in the economy. Inflation, which may rise at roughly 4 percent a month, has caused considerable unrest among the workers because of the rise in the cost of living; discontent has even erupted into strikes in Curitiba and Cuiabá. In São Paulo, a wide variety of worker groups have demanded emergency bonuses and the early payment of annual wage increases. The government anticipated

(Continued on page 82)

Robin L. Anderson has traveled extensively in Brazil and is a specialist in the history of the Brazilian Amazon.

"When a country's constitutional principle has been corrupted, when its economy has been grossly mismanaged, when sedition is pervasive, and when the society is in an advanced stage of disorder, then a military regime is probably the only alternative."

Argentina's Military Government

BY DAVID C. JORDAN

Professor of Government, University of Virginia

IN a carefully planned and brilliantly executed coup d'état, on March 24, 1976, the Argentine armed forces ousted Juan D. Perón's widow, "Isabel," Maria Estela Martinez de Perón. The military junta taking power was headed by General Jorge Videla and included Admiral Emilio Massera and Air Force General Orlando R. Agosti. In announcing the takeover, the junta said in part:

Having exhausted all available constitutional mechanisms and [having] passed beyond the possibility of rectification within the institutional framework, having proved irrefutably the impossibility of recuperation through the natural channels, a situation that afflicted the nation and compromised its future has come to an end.

Dismantling the Peronist order, the government suppressed all trade union and political activity, dissolved the national, provincial and municipal legislatures, sacked the Perón-appointed justices of the Supreme Court and appointed new provincial administrators. It was also announced that all subversives would be tried in military courts and that the death penalty would be in force for convicted terrorists. These were the first steps in the government's effort to prevent anarchy, corruption, and subversion and to reverse the nation's economic decline. The underlying reasons for the coup were the deterioration of the economy, the breakup of the Peronist government and movement, the continuing terrorist sedition, and the widespread social decay reflected in massive corruption and symbolized by the destruction of the universities as centers of learning. All these factors were important to the military because they undermined the nation's security. With the unabated growth of Brazil, the Argentine military faced the permanent inferiority of their nation if the domestic situation could not be reversed.

ECONOMIC DETERIORATION

The magnitude of the Peronist regime's mismanagement of the economy is almost beyond belief. In 1974, inflation rose to 40.1 percent, some 10 percent above

Argentina's "usual" 30 percent rate. This increase occurred in the first year after the government installed wage and price controls, which produced even more distortions in the economy. When Isabel's Rasputin, astrologer José López Rega, attempted to take some corrective measures in mid-1975—e.g., to repeal the absentee clause of the labor law, to grant permission for state-owned enterprises to charge prices covering costs, to encourage foreign investment, to curtail the budget deficit, and the like. But this effort collapsed.

Subsequently, Antonio Cafiero began his stint in the Ministry of Economy and the situation deteriorated further. The rate of inflation rose to 334.8 percent in 1975. The state had a huge deficit, 408 percent above that of 1974. In 1970—a "normal" year of inflation—80.5 percent of government expenditures were covered by taxation; in 1975, only 25 percent were covered. Under Cafiero, wage increases of 155 percent were granted, and an additional year-end wage bonus was decreed. The rate of inflation rose to 566.3 percent in the year ending March, 1976. If the March, 1976, rate had continued, the 1976 rate would have been 4,670.3 percent. That rate of inflation was higher than Chile's under President Salvador Allende Gossens just before he was ousted.

Because of the government's dependence on organized labor, it was unable and unwilling to resist union wage demands. The wage-pull aspects of Argentine inflation came from the workers' ever-rising expectation that the government would meet their demands whether or not they were justified and despite the consequences for other sectors of society.

Wage increases across the board were not justified. In 1975, despite the massive inflation with its stimulation of demand, the gross domestic product fell 1.4 percent in real terms. Marked declines occurred in construction (9.0 percent), mining (14.3 percent), wood manufactures (12.7 percent), capital goods (8.1 percent); and other declines occurred in basic metal products, food, drink, tobacco, paper, chemicals and agri-

culture. Positive growth rates were registered in only a few areas, like the textile and leather industries. The trade deficit in 1974 was \$51 million and rose to \$791 million in 1975, despite the fact that Argentina had become a tourist's paradise. The external debt had risen to nearly \$9 billion, of which nearly \$3.5 billion was due in 1976.

The unemployment problem was disguised by a massive increase in the bureaucracy, and the populist formula regime for economic catastrophe and disorder was established: inflation plus disguised unemployment undermining saving and capital formation, debasing the currency through printing, and circulating more money than is justified by tax revenues, thus destroying the country's financial system and its financial reserves.

THE FRAGMENTATION OF PERONISM

The Peronist concept of legitimacy is based on the radical theory of democracy, according to which popular enthusiasm measured by a majority vote or by national referendums provides the leader with legitimacy. Any majority allows the radical democrat to decide what his powers are and provides no limit on their use. The constitutionalist view, on the other hand, holds that all majority regimes are limited by long-term principles. The key concept of constitutionalism, that antecedent and enforceable rules of law check the policies of a popular leader, is not part of the radical democratic theory of politics.

Indeed, on his return to power in 1973, Juan D. Perón debased constitutionalism by undermining judicial authority. Many judges, including justices of the Supreme Court, resigned when Perón returned, induced to do so by the offer of high pensions and the subtle threats of dismissal if they did not resign. Many of the newly appointed judges who then filled the vacant posts were underqualified at best; some had little, if any, professional qualifications. The result was the breakdown of the judicial system and the perversion of the universal and classless constitutional concept of the rule of law. Perón's view of the dominance of the leader was extended to the Congress; all Perón's followers there were expected to follow the leader blindly. This doctrine was known as verticalism, and the blind followers of Perón and his wife were known as verticalists.

The politics of establishing Perón in power, however, required more than the support of his "core" followers.¹ A traditional ideological conflict between the conservative liberals and the nationalist populists divides Argentina across class and regional lines. Both ideological traditions have left-right-center positions. Perón developed his appeal in the nationalist-populist

tradition and forged a political coalition—the Frente Justicialista de Liberación, FREJULI—which led a number of parties in that tradition to support him and his party and movement. It was this support that gave him the presidency. After his death on July 1, 1974, his wife, who had been elected Vice President, succeeded him.

Isabel Perón found it more and more difficult to hold the FREJULI coalition together, and discovered that she could not even unify the verticalists. By December, 1975, important FREJULI factions, like the Movement for Integration and Development (MID), had deserted. At the same time, the division within the core Peronists was severe. On the extreme left, in open opposition to Isabel, was the Partido Auténtico, led by Andres Framini, which supported Perón's former stalking horse for the presidency, Hector Cámparo. It was an open secret that Framini supported the left-wing Peronist guerrilla movement, the Montoneros, and he was finally arrested in February, 1976, with 40 other leaders of the Authentic party. Victorio Calábro, governor of Buenos Aires province, represented the center of Peronism, and also opposed Isabel on anti-verticalist grounds. He had some labor support and was also backed by the Buenos Aires provincial police, the second largest police establishment in the country (only the federal police force was larger). Isabel could not oust him without help from the federal police and the army, and they would not act against him.

By the end of 1975, Isabel was supported chiefly by the "entourage"—the group of advisers headed by López Rega and (after his ouster in June, 1975, because of his failure to introduce economic reforms) his son-in-law, Raul Lastiri, Julio Gonzalez, the technical secretary to the presidency, and Dr. Omar Vaquir, Isabel's physician. These leaders of verticalism could not count on a verticalist majority in Congress after January, 1976.

Thus the Peronist regime could no longer rule legitimately. Isabel was forced to rely on the last bastion of verticalist Peronism—organized labor. Her chief labor supporter, Lorenzo Miguel of the Union Obrera Metalurgica, considered forming a labor party, but the benefits of the redistribution of wealth to labor through inflation were no longer apparent, and union leaders were losing the support of their members. Peronism, therefore, was disintegrating internally. The principal non-Peronist party, the Radical party, did not support the government, although its populist policies resembled those of the Peronists. Furthermore the Radicals themselves were divided. Thus by early 1976 there was no support from the major parties of the nationalist populist tradition to sustain the government, should the military move against it.

In the twentieth century, the initial threat to constitutionalist and even to populist regimes usually comes from the left. Communist and other left-wing

¹Jeanne Kirkpatrick, *Leader and Vanguard in Mass Society: A Study of Peronist Argentina* (Cambridge: The MIT Press, 1971). Kirkpatrick makes a useful distinction between core Peronists and pro Peronists.

terrorists are often initially successful in making themselves seem respectable, attracting those who talk about the redistribution of wealth, the role of multinational corporations, the imperialism of the United States, and tired bourgeois prejudices, e.g., work, education, duty, ethics, shame, honor, tolerance and the like. This left is consciously seditious; it encourages discord, rejects the unity of law and the idea of the common good, and undermines the belief in standards of justice that apply to all.

In the late 1950's and early 1960's, Peronist terrorism was designed to bring Perón back to power. The Communist-backed and trained terrorists, on the other hand, opposed Perón after his successful return and sought to establish a Marxist-Leninist state.² The Communist left included ERP (the People's Revolutionary Army) and FAR (the Armed Revolutionary Forces). The key leaders of these Communist terrorist organizations had been trained in Cuba. When Perón returned in mid-1973, ERP immediately opposed the Peronist regime, although it had worked with terrorist groups to reinstate Perón. FAR fused with the Peronist terrorist organization, the Montoneros, in late 1973. The Montoneros had already been partially infiltrated by members of the parent organization of both ERP and FAR, the National Liberation Army. These infiltrators may have helped to turn the Montoneros against Isabel. Army intelligence seemed to operate on this principle, and the army publicly offered from time to time to cooperate with non-Marxist Montoneros.

Terror produces counterterror. In Argentina, the principal counterterrorist organization is the Argentine Anti-Communist Alliance, AAA. The triple A was established by the Rega-run Ministry of Social Welfare. Jorge Conti, a presidential secretary, apparently organized the triple A on the cell principle.³ After the March coup, substantial supplies of arms were found in the offices of the Ministry of Social Welfare. The principal right-wing terrorist allies of the triple A are the Comandos Libertadoras de America (CLA) and the Comando Fuerzas Conjuntas (CFC). The CLA was allegedly organized by former associates of Juan Carlos Onganía. According to *La Prensa*, between May 25, 1973, and March 24, 1976, terrorist organizations had assassinated 1,358 people: 66 from the armed forces, 136 provincial police, 34 federal police, 445 subversives, and 677 civilians, including women and children. Those who listened for years to the excuses, romanticisms and justifications for left-wing terrorist murderers and equally mindless right-wing terrorism wel-

comed the January, 1976, *La Prensa* report. Although it failed to obtain power, left-wing terrorism produced senseless and excessive reactions that prepared the way for the March coup.

SOCIAL DECAY

In Argentina, corruption penetrated every class of society and the highest reaches of the government. Wage-price controls undoubtedly fostered corruption and stimulated a massive black market. Shortages of all sorts could be overcome in the black market. Corruption apparently involved the President herself. Perón claimed that a ministry check for 700,000 pesos bearing her signature had "mistakenly" been deposited to her account. She also allegedly misappropriated one billion pesos that had been raised for flood victims in Jujuy, Salta and Santiago del Estero. Although the Congress subsequently dropped the charges against Perón, it was widely believed that she was guilty of transferring over half a million dollars from public charity funds to her personal account. She may still be tried on these charges under the junta. The Peronist view of morality was unacceptable to the armed forces and contributed to the coup. The reportedly widespread Communist penetration of the Peronist-controlled universities also worried the military. In short, by early 1976, the economy was approaching hyperinflation, the Peronist regime was politically paralyzed, terrorist sedition was escalating, and the body politic was decaying.

TIMING OF THE COUP

When asked when there might be a coup, a senior military officer was quoted as saying, "better a minute too late than a minute too soon." Many responsible Argentine analysts thought that earlier coups against populist regimes had come too soon. Indeed, several observers criticized the March, 1976, coup as premature, not allowing the populist regime to discredit itself because of the consequences of its policies. Too often, it was argued, a populist regime squanders resources to court public approval and is then ousted before it is clear that the populist regime and not its successor regime caused the consequent hardships. The populist policies are consequently sanctified and opportunistic politicians may again exploit the gullible.

Why, then, did the coup come when it did? One factor was the growing unrest of the military. Between December 18 and December 22, 1975, there was an Air Force revolt that was ended through negotiations. To many observers, the Air Force uprising resembled the revolt of the Navy against Perón in June, 1955, which had also failed. Another factor was the growing opposition to the regime from groups whose support the military needed. In February, 1976, there was a 24-hour strike of an important organization of business groups (APEGE), protesting government policies that

²For a more detailed discussion of the origins of Argentine terrorism see David C. Jordan, "Peron's Return, Allende's Fall and Communism in Latin America" *Orbis*, vol. 17, no. 3 (fall, 1973), pp. 1033-1037; and "Authoritarianism and Anarchy in Argentina" *Current History*, vol. 68, no. 401 (January, 1975), pp. 3-4 ff.

³This theory about the origin of the triple A was advanced by Horacio Paino and was published in *La Opinion*, February 12, 1976.

were forcing businessmen to sell goods at a loss. The military was sensitive to the fact that if the coup were postponed, the recovery would be retarded. Since the military needed the support of key productive sectors—the self-employed, the farmers, the private transport industry, the distributors, wholesalers and the like—the argument for an immediate coup was compelling.

Another factor was the growing belief that if action were not taken soon, there might be full-scale civil war. In addition, in the first months of 1976, the Peronist regime was using the rhetoric of the economic measures the military proposed to use without actually practicing them, perhaps discrediting them unnecessarily.

A little noted event contributed to the military view of the harm the Peronist regime was doing. The military had permitted Perón's return in 1973 partly in the hope that he would reunite Argentina so that she could develop and head off Brazilian predominance. But Brazil's growing importance was underlined when the United States held discussions only with Brazil and not Argentina after the Russo-Cuban incursion into Angola. The coup d'état of March 24, 1976, ended all rumors.

THE VIDELA GOVERNMENT

The principal priority of the new regime is to revive the ailing economy. The appointment of José Martínez de Hoz as Minister of the Economy makes the achievement of this objective likely. The government proposes to prevent state enterprises from operating at a loss, to streamline and prune the bureaucracy to make it more efficient and less costly, to eliminate government subsidies to provincial governments, to require public works to finance themselves from abroad, to raise taxes and cut spending so that a far higher proportion of the budget will be covered by tax revenues, to turn non-strategic state enterprises over to the private sector (although some industries will remain mixed public and private), to put the currency exchange gradually on a free market basis, to encourage private business activity by reforming the tax system, and to stimulate private and foreign capital investment. It was hoped that these policies would reverse the inflation-induced regressive distribution of income that was impoverishing the middle class and would lead the economy into a period of prolonged, steady growth.

Martínez de Hoz proposed a gradualist economic policy. Thus the government has adopted a policy of reflation—that is, inflation at reduced levels—that is designed to spread the costs of the recovery by lowering real wages as an alternative to massive unemployment. This policy reflects the government's view that the consumer orientation of the economy must be reduced while the producing sector, particularly for export, must be promoted.

Some critics believe that the gradualist approach to the nation's economic ills will postpone and thereby

effectively doom those measures that are necessary to put the country on the right economic course in the long run. These critics also doubt that the country has learned from its Peronist experience; they believe that gradualist policies and reflation will not convince the people that the hardships they face are the responsibility of the Peronist regime. Critics believe that the gradualist effort to transfer people from unproductive to productive jobs, the increase in the working day, the cutting of red tape and the like will be checked before the administration reaches its objectives. Despite these criticisms, the administration apparently has no intention of accepting "the shock" method, which would probably create two million unemployed. On the contrary, it intends to reduce living standards gradually to avoid massive unemployment.

By September-October, 1976, there were signs that the balance of payments problem was being resolved. A positive trade balance for 1976 of some \$500 million to \$600 million seemed nearly certain. The rate of inflation was reduced, although it continued to be a serious problem. There is still a substantial treasury deficit. Some \$500 million in loans have been accepted from the World Bank for electric power and other public work projects, and public debts have been met through International Monetary Fund and United States and European bank loans.

The government is now drafting plans to stimulate mining and industrial development and to attract advanced technology and foreign investment. Nonetheless, the struggle against inflation is likely to be far more difficult than was foreseen, not only because the government is seeking to lessen social costs but also because it cannot control the external economic situation.

A CONSTITUTIONALIST REGIME

The military wants to establish a constitutionalist regime to replace the radical democratic regime of Peronism. The government has announced plans to construct a federal republican democracy at some indefinite future date, in Videla's words, "at the proper time," as a step in a new "historic cycle." If the military is to be successful, its rule must be followed by a government of responsible civilians supported by a majority of the people under the rule of law.

Although the Peronist movement is in disarray, the Peronist power base, the centralized trade union organization, remains. This structure may become a state within the state and must be placed on a voluntary,

(Continued on page 84)

David C. Jordan is a member of the board of research consultants of the Foreign Policy Research Institute and a member of the editorial board of *Orbis*. He is the author of books and articles on Latin American politics and international relations.

"As the tarnished Peruvian revolution entered its ninth year in October, 1976, the country continued to be plagued by inflation, lagging economic growth and an onerous foreign debt."

The Peruvian Revolution in Crisis

BY DAVID P. WERLICH

Assistant Professor of History, Southern Illinois University

ON August 29, 1975, the commanders of Peru's five military districts issued a joint communiqué removing General Juan Velasco Alvarado from the presidency of the Revolutionary Government of the Armed Forces.

The deposed executive fashioned a remarkable record during his seven-year tenure.¹ His regime nationalized most of the country's larger enterprises and public utilities. It assumed control over 90 percent of the nation's exports and about half its imports. After acquiring the majority of Peru's financial institutions, the state began to provide almost 50 percent of the republic's investment capital. A series of broad "general laws" regulated various sectors of the economy, imposed strict rules on foreign investors and reserved certain "basic industries" for development under government auspices.

A new system of "labor communities" gave workers a share of the profits and a voice in the management of the state-dominated fishing, mining and telecommunications industries. The regime envisioned the eventual transformation of many modern manufacturing firms into cooperatives that would distribute stock as well as profits to their employees. Most important, the Velasco administration instituted a bold reform of the nation's antiquated agrarian sector. By mid-1976, all large, privately owned estates had been converted into cooperatives or distributed to peasant communities and small freeholders.

Although the Revolutionary Government emphasized economic reform, it did not neglect Peru's other problems. The administration overhauled the entire educational system and provided some 200 common medicines to the public at low cost. A reform of the social security program significantly broadened its coverage and increased its benefits. Peru's generals and admirals

even fired a few unexpected salvos in the battle for women's rights: females were promised "essential equality" with males and, symbolically, gained admittance to the armed forces. The regime experimented with corporatist political models, creating a hierarchy of functionally structured, mass organizations for "broad, full, popular participation" in the establishment of a "social democracy." Lima vigorously pursued an "independent foreign policy." Peru recognized Castro's Cuba; broadened her relations with other socialist countries; became a leading spokesman for the third world; and confronted the United States in heated disputes over compensation for expropriated North American firms and in the enforcement of her 200-mile fisheries limit.

Velasco's popularity was difficult to measure, but the administration received endorsements from groups as disparate as the Catholic Church and the Communist party and, until its final years, appeared to have at least the acquiescence of a majority of Peru's 16 million citizens. Thus the dictatorship's maintenance of power did not require a draconian suppression of personal liberties. So successful was the "Peruvian experiment" that it was heralded widely as a model for rapid, peaceful change in Latin America and in the less developed world, a path to progress that was "neither capitalist nor Communist." Yet Velasco's ouster had the broad backing of Peru's military establishment, and no major public demonstration protested his removal. By 1975, the Peruvian Revolution had entered a period of profound crisis. General Velasco's leadership, so effective in the past, seemed unequal to the difficult tasks ahead.

The Velasco régime gained international acclaim for the achievement of major structural changes in the economy while recording respectable advances in gross national product and relatively stable prices. But the economy faltered in 1974 and deteriorated badly the following year. The rate of growth declined, unemployment mounted, and the cost of living rose by 40 percent in 1975. A trade deficit of about \$1 billion in that year deeply eroded the nation's foreign exchange reserves.

¹Recent, in-depth treatments of the revolution are Abraham F. Lowenthal (ed.), *The Peruvian Experiment: Continuity and Change under Military Rule* (Princeton: Princeton University Press, 1975); and E. V. K. Fitzgerald, *The State and Economic Development: Peru since 1968* (Cambridge: Cambridge University Press, 1976).

The administration borrowed heavily to balance its international payments and finance its development programs. By the end of 1975, the external debt exceeded \$3 billion and required \$500 million to service.

Peru's economic woes had both external and internal origins. The continued poor performance of the key fishing industry, along with falling prices and contracting markets for the country's metallic minerals, limited the nation's earnings abroad. Meanwhile, because of worldwide inflation, Peru paid higher prices for an expanding volume of imports, especially fuel and foodstuffs. The government generously subsidized both fuel and food to ease the pain of inflation for the vocal, urban population. For this same reason, the administration set low prices on foods grown within the country, a policy that discouraged domestic agriculture. Frightened by persistent rumors of new reforms, Peru's businessmen reduced their investments, forcing the government to expand its spending programs. While demands on the treasury mounted, the state's revenues suffered from mismanagement and costly strikes in public enterprises and low returns from state-owned export commodities.

The administration predicted continued hard times until 1977, when profits from newly opened copper mines and petroleum in the Amazon region of Peru would bring relief. Independent analysts were more pessimistic, however. During 1975, the most recent in a series of Amazonian oil booms appeared to be another "bust." Only two among a score of companies exploring for petroleum east of the Peruvian Andes had discovered oil in commercial quantities. It was feared that the amount of oil ultimately found might not pay for a \$900-million pipeline being constructed to carry the "liquid gold" across the mountains to the Pacific coast. The gloomy outlook for Peru's exports and the unstable domestic economy produced uncertainty in previously favorable international banking circles. Furthermore, one week before Velasco's ouster the government nationalized the Marcona Company's huge iron-mining complex and indicated that, because of alleged contract violations and other misdeeds, the North American firm would not be compensated. It seemed possible that the United States might respond as it had after past confiscations, with a "credit squeeze" that would further hamper Peru's attempts to refinance her foreign debt.

THE EFFICACY OF REFORMS

While the standard economic indices for the nation declined, there were increased doubts with regard to the efficacy of the regime's fundamental reforms. After seven years of "revolution," the standard of living for three-fourths of Peru's people had not improved ap-

preciably. The nation simply did not have enough arable land for all the farmers who needed it; notwithstanding the agrarian reform, most of the rural population remained desperately poor. Workers on the modern sugar plantations of the coast had prospered with the transformation of these enterprises into cooperatives; but most of the archaic haciendas of the interior became impoverished agrarian collectives. Similarly, industrial reforms benefited primarily those persons employed in modern industry, a small minority of the urban labor force. In May, 1974, the Velasco administration formally instituted a new system of social property enterprises (EPS's). This novel program was touted as a means to expand employment rapidly in the modern sector of the economy and to bring the rewards of the revolution to more citizens. Ideally, a group of workers was to conceive of a viable business and present the idea to the government. If approved, a Social Property Fund would provide the capital needed to start the enterprise, which the workers themselves would manage. Unlike the agricultural cooperatives and the labor communities of the "reformed" private companies, in which profits were divided among the workers, most of the surplus produced by the EPS's would revert to the Social Property Fund for use in financing additional enterprises. In this manner, declared the government, the social property sector would grow until it became "predominant" within the nation's economy.

Poor Peruvians and their champions called for a rapid expansion of the program. Denouncing the wealthy sugar cooperatives and the labor communities, which often restricted membership to maximize their distributable profits, they pressed for the conversion of these entities into social properties. The threatened co-ops, labor communities and private entrepreneurs mobilized to defend their interests. Divided on the issue, the government attempted to follow a middle course. While rapidly funding new EPS's, the regime pledged that it would not forcibly transform existing cooperatives into social properties and asserted that Peru's "plural economy" always would have room for large, "reformed" private enterprises along with small, family-owned businesses.

But the administration's now well-established record for breaking similar promises did not inspire confidence. In late July, 1975, Velasco announced that the wealthy sugar cooperatives would indeed become social properties. Meanwhile, many firms doubted their ability to compete with the EPS's, which were to receive favored treatment from the state. Uncertainty about the future produced a sharp decline in business investment and a rash of bankruptcies. Speculation grew that the government would have to undertake wholesale nationalizations in the lagging private sector to prevent economic collapse.² Thus, Peru's entrepreneurs seemed locked in a suicidal self-fulfilling prophesy.

The Velasco administration often expressed a desire

²*Latin America*, December 13, 1974, p. 390; *The New York Times*, September 28, 1975.

to maintain the nation's "ideological pluralism," encouraging the free expression of diverse opinions. But from the beginning, the dictatorship's actions demonstrated its intolerance of the press. On July 27, 1974, the regime expropriated the "*gran prensa*," six nationally circulated Lima newspapers, charging that they did not reflect the diversity of public opinion, but only the narrow, partisan views of their wealthy owners. The government appointed editorial committees to operate the newspapers for one year, after which the journals were to be transferred to approved organizations representing peasants, labor communities and other segments of society.³ The President declared that the "Peruvianized" newspapers would be completely independent, and that the regime expected "neither obsequiousness nor flattery" from the press.

Peru's journalists quickly tested Velasco's sincerity. In the last quarter of 1974, the "reformed" newspapers and several independent magazines published a series of embarrassing exposés. Some of these concerned a massive smuggling operation involving high government officials; the use of torture by Peruvian security police; and the rapid escalation of the country's foreign debt. The government responded by banning three magazines and menacingly lecturing the "Peruvianized" press on the duties of "responsible journalism."

Attacks on the press conformed to a general repression of dissent during 1974. In March, five leaders of the APRA party were jailed. Two months later Acción Popular was the first of Peru's major political parties to be formally proscribed. In addition to the harassment of journalists and politicians, arrests and deportations of union organizers, peasant leaders and other critics became increasingly commonplace. As channels for peaceful protest closed, opponents of the regime resorted to violence. For three nights following the expropriation of the *gran prensa*, there were riots in two comfortable Lima suburbs. Police arrested 500 persons. In December, several government buildings were bombed—apparently by conservative groups—while two Cabinet ministers narrowly escaped death at the hands of left-wing assailants. The administration reacted with a decree authorizing the trial of suspected terrorists by military tribunals and the summary imposition of sentences, including the death penalty, for those convicted.

A strike by Peru's national police in early February, 1975, afforded enemies of the regime an ideal opportunity to display their hostility. Middle class rioters rampaged through the unprotected streets of Lima, fire-bombing government buildings, the offices of the "reformed press" and the military club. Thousands of poor people from nearby squatter settlements joined the original protesters in looting the shops of the busi-

ness district. The administration suspended constitutional guarantees and, for the first time since seizing power, used regular troops to restore order in the capital. About 100 persons were killed and another 1,000 were injured during the riots.

A wave of disturbances throughout the country after June 30, underscored the growing unpopularity of the Velasco dictatorship. An austerity program instituted on that date granted moderate pay raises in partial compensation for the soaring cost of living, but imposed a low ceiling on future wage increases. The regime also reduced or eliminated import subsidies and hiked domestic food prices. On August 5, after a rash of strikes, the government deported almost 30 union leaders, politicians and journalists, accusing them of fomenting the walkouts. Many of Peru's unions and student organizations announced that they would protest this action with a nationwide general strike to begin on August 28, one day before the start of a major meeting of third world foreign ministers in Lima.

The increased level of tension in Peruvian society was reflected in the armed forces. Since the early days of the Velasco administration, observers had spoken of "conservative" and "radical" sectors in the military establishment. Both these groups wanted to create a modern, prosperous and more just society free of foreign domination. But considerable difference of opinion existed concerning the magnitude of change required, the appropriate means to achieve these ends and the revolution's priorities.

The radicals emphasized a greater role for the state and various forms of worker-managed enterprises, especially social properties, in the nation's economy, and favored a more rapid redistribution of income. The conservatives placed economic growth—requiring high levels of saving and investment—ahead of social justice on their list of priorities. They envisioned the continuation of a significant role for private enterprise, including closely regulated foreign capital. Less well delineated were the positions of the two groups with regard to civil liberties and citizen participation. The conservative element included several senior army generals and most top naval officers. The radicals were numerically strong in the army and among younger officers in the other services. Individuals not easily placed within these two loose categories were described as "moderates."

Since 1968, the institutional solidarity of the armed forces and their government had been maintained by postponing some controversial decisions, compromising on others and adhering to seniority in military promotions. President Velasco demonstrated considerable skill in preventing public feuds between the radicals and conservatives. Although he was frequently considered a "moderate," the President exhibited radical sympathies and, at critical moments, supported key reforms that had "deepened" the revolution.

The first major break in the armed forces' outward

³The postponement of this transfer in July, 1975, added to the tension of that critical period. The *gran prensa* continues to be published by government-appointed editors.

show of unity occurred in May, 1974, as the regime prepared to institute the divisive social property program and to expropriate the press. The marine minister, who publicly protested against the latter measure, resigned and nearly a score of senior naval officers who supported him were retired or bypassed to make room for a new navy minister acceptable to Velasco. Thereafter, reports of deep fissures within the military establishment became increasingly common. Following the annual round of military retirements and promotions in early 1975, analysts noted a strengthening of the radical faction.⁴ Several young reformers advanced to key positions in the command structure. Furthermore, General Edgardo Mercado Jarrín, the administration's leading conservative, was replaced as Premier and Minister of War by General Francisco Morales Bermúdez, a reputed moderate. The radicals seemed destined to inherit the revolution when President Velasco left office.

By 1975, however, Velasco himself had become a source of worry for the military. The 65-year-old soldier had not recovered completely from a nearly fatal illness in early 1973. His public appearances and personal meetings with other leaders steadily decreased. In February, 1975, two weeks after the Lima riots, Velasco suffered a serious attack of hypertension or, perhaps, a mild stroke. Although the General resumed his functions a week later, this crisis heightened concern about presidential succession in the event of Velasco's sudden death or disability. Several ambitious and controversial officers appeared to be building bases of personal support among labor unions and political parties.

Illness and the strains of leadership seemed to have taken their toll on General Velasco's personality as well as his body. With Velasco more volatile than ever, the President's colleagues complained of his erratic behavior, his stubborn inflexibility and the increasingly personal tone of the regime. Velasco's friends and relatives were accused of influence peddling and other improprieties. The investigation of scandals uncovered in late 1974 slackened, and new frauds were uncovered in several state agencies. This mounting evidence of corruption embarrassed officers who took pride in the high moral standards of the administration's early years. The desire to remove General Velasco had become so compelling by mid-1975 that it subordinated the ideological disputes within the military leadership. Moreover, the replacement of Mercado Jarrín by Morales Bermúdez as Prime Minister positioned a widely acceptable alternative to Velasco in line to succeed the President.

Francisco Morales Bermúdez seemed an excellent choice to lead the nation through the difficult economic

and political problems ahead. A member of a prominent military family,⁵ the 53-year-old Prime Minister was trained as an engineer. He shunned ideological disputes and stressed sound planning and efficient administration. The general first gained prominence during a brief but productive tenure as finance minister in the administration of Fernando Belaúnde Terry. He held the same portfolio under Velasco from 1969 until early 1974. Morales Bermúdez had received much of the credit for the economic successes of this period and had gained the respect of the international financial community. While enjoying the confidence of the military conservatives, his long and close friendship with General Jorge Fernández Maldonado—the regime's Minister of Mines and most prominent radical—brought him considerable support on the left. From his office in the war ministry, Morales Bermúdez solidified his power base within the army and increased his control over everyday government operations. Within a few months, reports from Peru indicated that Velasco was becoming a figurehead and that the Prime Minister actually ruled the country. The President's overthrow at the end of the troubled month of August, therefore, evoked little surprise.

Morales Bermúdez moved skillfully to secure his position. A new Cabinet, appointed three days after the coup, had a decidedly more moderate cast. It included Luis Barúa Castañeda, a respected economist who became Finance Minister and the first civilian Cabinet member since 1968. During the next three months, another reorganization of the government, the forced retirement of several close associates of Velasco, and the arrest of officers implicated in recent scandals eliminated a number of radicals. Military leftists and their civilian supporters were placated by the continuance of two radicals in the Cabinet. General Fernández Maldonado, moreover, became army chief of staff and heir apparent to the tandem posts of War Minister and Premier, which he took over in February, 1976.

In his early public statements, the new President reassured the left, emphasizing that the government's goals and priorities had not changed, only its leadership and methods. He pledged not to deviate "one millimeter" from the revolutionary course, while "consolidating" and making irreversible the achievements of the previous seven years. Morales Bermúdez also renewed the revolution's commitment to "ideological pluralism." His first official act granted a broad political amnesty and permitted previously banned periodicals to reappear.

A dangerous confrontation with Chile complicated Peru's domestic politics in the early weeks of the new

(Continued on page 81)

⁴*Hispano Americano*, February 10, 1975, p. 37.

⁵His grandfather, Colonel Remigio Morales Bermúdez, was President of Peru (1890-1894); Colonel Francisco Morales Bermúdez, the Prime Minister's father, was assassinated by Apristas in 1939.

David P. Werlich's general history of Peru will be published next year by the Southern Illinois University Press.

"Panama has struggled for 73 years to persuade the United States to renegotiate the restrictive Treaty of 1903 and to return approximately 500 square miles of her territory to Panama."

Panama: A Search for Independence

BY E. BRADFORD BURNS

Professor of Latin American History, University of California, Los Angeles

NEGOTIATIONS for a new canal treaty between Panama and the United States should make progress in 1977. A principal reason for delay, the presidential campaign in the United States, has been overcome. The two governments can be expected to accelerate negotiations based on the guidelines elaborated by United States Secretary of State Henry Kissinger and his Panamanian counterpart, Juan Tack, in February, 1974. In summary, they proposed: the replacement of the Treaty of 1903; the elimination of the concept of perpetuity; the termination of United States jurisdiction over the Canal Zone; the exercise of Panamanian jurisdiction over the zone, with the United States permitted for a limited time to run, maintain, and protect the canal; just compensation for Panama from the canal tolls; Panamanian participation in the administration of the canal and exclusive administration when the new treaty expires; Panamanian and United States cooperation in the defense of the canal; and consideration of the expansion of the canal facilities.

While demand for a new treaty unites Panamanians, opinion in the United States has been divided and, until recently, more hostile than friendly. There is some reason to conclude that opinion in the United States is shifting toward support for a new treaty. Part of the change may be attributed to the post-Vietnam desire to disentangle the United States from those areas where its presence is less than welcome and its mandate is not clear. Playing the role of imperialist troubles the conscience of increasing numbers of North Americans.

Further, former California Governor Ronald Reagan's challenge to President Gerald Ford in the Republican presidential primaries of 1976 educated the United States public. President Ford guardedly supported negotiations to replace the Treaty of 1903.¹

¹As examples of recent enlightened studies of the canal negotiations, see E. J. Kahn, Jr., "Letter from Panama," *The New Yorker*, August 16, 1976, pp. 64-75; or, Helen C. Low, *The Panama Canal Treaty in Perspective*, Communiqué on Development Issues No. 29 (Washington, D.C.: Overseas Development Council, 1976).

Reagan suspected that the negotiations were more detrimental than beneficial to United States interests. Clearly, he had not read the treaty and believed, mistakenly, that the United States owned the canal and the zone. "We bought it, we paid for it, we built it, and we intend to keep it," was his belligerent pronouncement. In refuting Reagan's erroneous conclusion that the United States had purchased the Canal Zone, the media made a careful analysis of the Treaty of 1903, which only conferred on the United States the use, occupation, and control of the zone as "if it were sovereign."

Despite Reagan's claims to the contrary, all negotiations between the United States and Panama have been based on the understanding that sovereignty did and does rest with Panama. Lest any doubts linger, a 1936 treaty revision clarified the sovereignty question, referring to the canal zone as a "territory of the Republic of Panama under the jurisdiction of the United States." The immorality, not to say illegality, of any treaty "in perpetuity," and the very questionable circumstances surrounding the hastily written Treaty of 1903 must also be remembered. In the United States, a better educated public is aware that sovereignty in the Canal Zone resides in Panama, is wary of foreign entanglements that cast the United States in a colonialist role, and is cognizant of the diminished economic and strategic importance of the canal. On an international scale, Panama has mobilized world opinion in support of her desire to reassert jurisdiction over her own valuable territory.

Panama has convinced many nations that the presence of the United States in the Canal Zone represents colonialism and prevents national development. That argument has been little appreciated because in the United States it is believed that United States operation of the canal enhances the Panamanian economy and, by extension, encourages development. The Panamanian view of this crucial economic issue is different.

Panama's identity springs from her unique geography. A bridge between two continents and two oceans, at one point Panama is barely 30 miles wide; and

nearby the heights reach no more than 285 feet. Deep bays provide protected anchorage. At least since the sixteenth century, the people inhabiting the isthmus have understood the special historical destiny that geography imposed on them. The isthmus fulfilled the dreams of a commercially aggressive Europe in the sixteenth century and thereafter served as a vital highway for the expansion of capitalism.

Panama as a nation-state emerged almost four centuries later. In the nineteenth century, a well-defined nationalism was characteristic.² The act of 1821 by which Panamanians severed their links with Spain and united with Colombia recognized the significance of the isthmus and clarified the Panamanian desire to maintain economic autonomy. In 1823, the *Gaceta Oficial del Departamento* called for an educational system reflecting "the geographical position of the Isthmus."³

Repeated confrontations with Bogotá in the nineteenth century sharpened nationalist sensitivity and rhetoric. No one expressed the concept of Panamanian self-consciousness better than Justo Arosemena, whose writings emphasized the importance of the local reality—that is, Panama—over the abstract nation-state—that is, Colombia. In his *El Estado Federal de Panamá*, first published in 1855, Arosemena indicated that geography predestined Panama to be a separate nation: "Another country, another people, another entity, and politics ought not to contradict nature's powerful and inscrutable manifestations."⁴ Arosemena referred constantly to the "singular position" and "peculiar character" that made Panama—in the phrase of Simón Bolívar, which he quoted—"the center of the universe."⁵

Panamanian scholars of the twentieth century reiterate the theme of geographic determinism.⁶ In an essay dated 1930, discussing the reasons why Panama should be independent of Colombia, the historian Diógenes de la Rosa emphasized the geographic uniqueness of Panama and the incompatibility of Panamanian and Colombian interests. As a third factor, he pointed to the coincidence at a given historical moment of the

Panamanian desire for independence with the interests of the United States in a period of rapid international expansion.⁷ More than three decades later, the brilliant scholar, Ricaurte Soler, put an even stronger emphasis on the geography. Panama's economic and political interests, he reasoned, were shaped in the final analysis by the uniqueness of the isthmus. While Soler agreed that United States intervention in 1903 ended a civil war between Panama and Colombia, he emphasized that the United States in no way "created" Panama, noting that, "In 1903, a nation already existed and a Panamanian national consciousness had already been formed."⁸ Soler accused North American imperialists of complicating the formation of the Panamanian nation-state. Soler's thesis reflected a major theme in Panamanian historiography.

The Panamanians' perception of their past contrasts sharply with the United States view. In the United States, historical discussions of Panama are based on the often quoted words of United States President Theodore (Teddy) Roosevelt, "I took Panama." To varying degrees, North Americans regard Panama as their creation; consequently, it is difficult for them to understand why the Panamanians do not feel a proper gratitude. One best-selling Latin American history text, published in the mid-1960's, informs a new generation of students that, "The Republic of Panama is an artificial state that came into being because President Theodore Roosevelt grew impatient with the rulers of Colombia in negotiations for an isthmian canal route."⁹ That text then argues that Panamanians were not really "nationalists."

A recognized political scientist began his discussion on Panama in a 1971 text on Latin American politics with this observation:

Panama is the most artificial state in Latin America—artificial in its creation, its social structure and internal integration, its economy, its domestic and international politics. Indeed, few if any other countries in the world can begin to approach the anomaly that is Panama.¹⁰

It seems arrogant, perhaps cynical, for North Americans to label Panama as an "artificial state" after they detached the major ingredient of her nationality from her control in the Treaty of 1903. On the contrary, Panamanian nationality arises from Panama's geography, and her national self-consciousness takes its inspiration from that uniqueness. Ironically, after the geography had nurtured a sense of nationality, the nation-state was born without control of its most salient geographic feature and was thus deprived of its special identity. Panamanian frustration fosters another form of nationalism and national purpose: the recovery of the lost resource.

Panama's geography permitted the United States to build an inter-oceanic canal whose importance to world commerce is monumental. In 1970, for example, some 118.9 million tons of cargo passed through the

²Ricaurte Soler, *Pensamiento Panameño y Concepción de la Nacionalidad durante el Siglo XIX* (Panamá: Libería Cultural Panameña, 1971).

³Quoted in Ricaurte Soler, *Formas Ideológicas de la Nación Panameña* (San José, Costa Rica: Editorial Universitaria Centroamericana, 1972), p. 29.

⁴Justo Arosemena, *El Estado Federal de Panamá* (Panamá: Libería Cultural Panameña, 1972), p. 22.

⁵*Ibid.*, p. 29.

⁶*Ibid.*, p. 98ff.; Soler, *Pensamiento Panameño*, pp. 99-100; Ornel E. Urriola Marcucci, *Dialéctica de la Nación Panameña. Período Republicano* (Panamá: Ediciones Momento, 1972), pp. 30-31.

⁷Diógenes de la Rosa, *Ensayos Varios* (Panamá: Editora Istmeña, nd), pp. 7-29.

⁸Soler, *Formas Ideológicas*, p. 125.

⁹John E. Fagg, *Latin America: A General History* (New York: Macmillan, 1963), p. 805.

¹⁰Russell H. Fitzgibbon, *Latin America: A Panorama of Contemporary Politics* (New York: Appleton-Century-Crofts, 1971), p. 127.

Panama Canal, double the cargo in 1960.¹¹ Yet Panama receives minimal benefits from her major national resource. The majority of Panama's 1.5 million citizens live in poverty, while the world's richest nation controls her major resource. Of course Panama gets an annuity. The Treaty of 1903 set \$250,000 as the annual payment, a sum raised to \$430,000 in 1936, to \$193 million in 1955, and to \$23 million in 1971.

The *Latin American Digest* reported that in 1970 canal profits totaled \$175 million,¹² of which Panama received \$1.9 million or a pitiful one percent return. The world's most unique piece of land rents cheaply. The rent seems even lower when compared with other rental rates. For example, the net profit from the rents of the Empire State Building in that same year, 1970, exceeded \$13 million. By agreement with Spain early in 1976, the United States rents three military bases on Spanish soil for \$20 million annually.

It is claimed that Panama benefited in other ways. Salaries paid to Panamanians working in the Canal Zone totaled \$487 million in the period from 1950 to 1969.¹³ But United States citizens held the best paying jobs; while North Americans were in a minority they earned \$659 million in the same period.¹⁴ Panamanians believe that the employment opportunities made possible by their unique geography should benefit them rather than raising the income of the world's richest nation.

However, much more is at stake than quibbling over jobs or haggling over annuities. Panamanians are disturbed by their lack of sovereignty over their own territory. And they are concerned about their present inability to shape their own development. These two concerns are inextricably intertwined.

The dependent and underdeveloped nations of the world are accustomed to having their resources exploited, processed, and marketed by other nations, but these dependent nations usually maintain at least some vague form of control, raising and lowering taxes, providing police or military presence, or enforcing national law on foreigners.

The situation in Panama differs significantly, because the Panamanian government exercises no control over its major resource, the canal. Its police cannot patrol it;

its laws cannot extend to it; it can in no way regulate profits from it or taxes on it. On the contrary, foreign soldiers occupy the Canal Zone and foreign law applies to it. A Panamanian can be arrested for breaking a foreign law, tried in a foreign court, and punished by foreign authorities, all on his own soil. North American critics point out that the United States built the canal. Using phrases in the United States Senate very similar to those Reagan used in the primary campaign, Senator Strom Thurmond (R., S.C.) proclaimed, "We bought it. We paid for it. It is ours."¹⁵ Panamanians might reply, "Fine. It's yours. Pack up your canal and take it home. But give us back our land."

Panama suffers from dependency in its most insidious form, readily apparent to the third world. Panamanians hope to implement the resolution passed by the United Nations General Assembly in 1961, affirming "the right of every nation to control its natural resources for the sake of the development of its people."¹⁶ Panama's government has expressed a desire to develop the nation, to enhance the quality of life of its people. To measure the degree to which Panama's underdevelopment is caused by the alienation of its major resource is more difficult.

Since her independence, Panama has been a net importer of food. The amount of money she spends on food has increased significantly in three-fourths of a century. In 1968, Panama spent \$12 million on food, six times the amount she received as an annuity. The situation has since become more serious as rural to urban migration accelerates.

Agricultural experts agree that the Panamanians could feed themselves and could export food. They do not do so partly because Panama does not control the canal. She has insufficient funds to construct the transportation network needed to bring crops to urban markets. And the rich lands near urban centers are not available for cultivation.

The Canal Zone, a logical agricultural source for the adjoining cities, is outside Panamanian control, and most of its territory lies fallow. Approximately 9.5 percent of the zone is lake and swamp; another 3.5 percent is utilized for the operation of the canal; 37 percent is used for military bases, even though these are not per-

(Continued on page 82)

E. Bradford Burns has served on the governing boards of the Pacific Coast Council on Latin American Studies, the Conference on Latin American History, and the Latin American Studies Association. He is author and editor of seven books on Latin America. His *The Unwritten Alliance* (New York: Columbia University Press, 1966) won the Bolton Prize in 1967; a revised edition of his *Latin America: A Concise Interpretive History* (Englewood Cliffs, N.J.: Prentice Hall, 1977) has just been published. Burns has traveled and studied in Panama.

¹¹The significant role of the canals for U.S. and world commerce is indicated in James L. Busey, *Political Aspects of the Panama Canal: The Problem of Location* (Tucson, Arizona: The University of Arizona Press, 1974), *Comparative Government Studies*, No. 5, pp. 8-9.

¹²*Latin American Digest*, vol. 7, no. 3 (April, 1973), p. 12.

¹³Economic Commission for Latin America (Mexico Office), *The Economy of Panama and the Canal Zone*, 2 vols (Mexico: CEPAL/Mex/72/28 Rev. 1, 1972).

¹⁴Boris Blanco, "El Canal de Panama en la Economía Norteamericana," *Anales de Ciencias Humanas* (University of Panama), no. 1 (1971), pp. 25-26.

¹⁵Quoted in *The Times of the Americas* (Washington, D.C.), April 17, 1974, p. 9.

¹⁶Marco G. McGrath, "Ariel or Caliban," *Foreign Affairs*, vol. 52 (October, 1973), p. 92.

"Any hope that the poorest segment of the population will achieve more meaningful participation in the economic development of Colombia will remain frustrated . . . , as long as the urban unemployment rate remains at its current high level."

Inequality in Colombia

BY DIETER K. ZSCHOCK

Associate Professor of Economics, State University of New York at Stony Brook

MOST developing countries sustained relatively rapid economic growth during the 1960's. Notwithstanding this remarkable effort, unemployment in most of these countries has been rising, and income distribution has become more unequal. In most developing countries, only a relatively small segment of the population participates actively in the development process, and this segment reaps most of the benefits. Because of this inequity, emphasis on human resources development has begun to complement an earlier concentration on physical capital investment.

The principal means of human resources development are education and health services. By expanding these services in urban slums, small towns and rural areas, development strategists hope to make people more employable, to redistribute income through tax mechanisms, and thus to make the process of economic development more equitable.

Colombia offers an informative case study of the problems involved in implementing more equitable economic development through human resources development. Colombia has a better statistical base to document her problems than most other Latin American countries and her prospects for development have been studied in depth. Moreover, in her national and sectional strategies, Colombia has repeatedly committed herself to an equitable development process. Yet Colombia has one of the highest rates of unemployment in the hemisphere and the income distribution of her population is one of the most highly skewed in favor of the upper fifth of the population.

Access to health services and the quality of health

care are even more unequally distributed in the Colombian population than income and education. Poor health may be as much a deterrent to employability as is low educational attainment. Colombia has unusually complete information on the health status of her population, on the quantity of health services and their distribution, and on health sector expenditures. But the income redistributive effect of health services has not yet been analyzed.

Colombia's population, currently estimated at about 25 million, has more than doubled in the last 25 years. National income increased at an average annual rate of 5.6 percent during the 1960's; but with a 3.2 percent population growth rate, per capita income increased only 2.4 percent per year. Almost half the population now lives in towns with more than 20,000 inhabitants, and there are 17 cities with more than 100,000 inhabitants. Rural-urban migration proceeds primarily step-wise, from rural areas to small towns, to larger cities. Thus, while it has been rapid, urbanization in Colombia is relatively widely distributed across the country and presumably allows for the gradual adaptation of people to work and life in the cities. Nevertheless, high urban unemployment has been identified as a major social and economic problem.

Occasional household sample surveys in the major cities of Colombia have shown unemployment to fluctuate around 10 percent.¹ An estimate in 1967, relating the country's economic growth in the long run to a maximum likely rate of labor absorption, concluded that the overall rate of unemployment in the mid-1960's may have been as high as 19 percent and rising.² In 1970, a major international study of unemployment in Colombia reached similar estimates and offered far-ranging recommendations, some of which the country has attempted to implement.³ The Misael Pastrana government's (1970-1974) strategy involved a four-pronged effort to expand labor-intensive construction, diversify exports, increase agricultural productivity and redistribute income through tax reform.⁴ The

¹CEDE, *Empleo y Desempleo en Colombia* (Bogota: Ediciones Universidad de los Andes, 1968).

²Dieter K. Zschock, *Manpower Perspective of Colombia* (Princeton: Industrial Relations Section, Princeton University, 1967).

³International Labour Office, *Towards Full Employment*, Geneva, 1970.

⁴National Planning Department, *Guidelines for a New Strategy*, Bogota, 1972.

TABLE 1: The Colombian Labor Force

	Overall Composition	Urban	Rural
Mechanized agriculture and industry, modern commerce and services: very secure employment.	20%	25%	15%
Small-scale commercial farming and artisan manufacturing, traditional commerce and services: relatively secure employment.	40%	50%	30%
Subsistence-level farming, most construction jobs, petty trade, menial services: insecure employment and high unemployment.	40%	25%	55%
Total	100%	100%	100%

government of President Lopez Michelsen has modified the emphasis on construction because it resulted in an excess supply of commercial buildings. Instead, the emphasis on human resources development has shifted toward the expansion of social programs, particularly in health and nutrition. This, however, leaves the continuing unemployment problem.

The lower rate of unemployment measured by surveys, compared with the estimates calculated through economic modeling exercises, probably indicates that Colombians still cope with low incomes in traditional ways. Extended families share work and income, and everyone remains poor. Petty trade and menial services absorb a growing proportion of the urban labor force, and many people resort to petty larceny and smuggling. In Colombia's small villages and rural areas, probably more than half of the labor force works at or below a subsistence level of income.

With the total labor force about equally divided between urban and rural areas, its composition by level and relative security of employment appears in Table 1.

A review of income distribution data in Colombia leads one to about the same composition of the population, divided into high-income, medium-income and low-income segments. In 1970, the top 20 percent received about 61 percent of total income; the middle 40 percent received 30 percent; and the lowest 40 percent accounted for nine percent of the total. In absolute terms, one out of four Colombians lives on less than U.S. \$0.20 a day, which has been defined as the level of absolute poverty in developing countries. In Latin America, only in Ecuador and Honduras are higher proportions of the population living in absolute poverty.⁵

The likelihood that the inequality of income distribution in Colombia is rising is supported by com-

paring the 1970 data with findings of a 1961 study (see Table 2).⁶

Table 2 suggests that at least in relative terms the

TABLE 2: Income Distribution

Income Recipients	1961	1970
Highest 20%	59%	61%
Middle 40%	29%	30%
Lowest 40%	12%	9%
Total	100%	100%

lowest 40 percent of the population is becoming increasingly impoverished. Moreover, it tends to support the projection, cited above, that unemployment and underemployment are rising. The Colombian economy so far is either unable—or Colombian society is unwilling—to share the benefits of economic growth with the poorest two-fifths of the population.

Efforts to broaden social participation in the development process have primarily involved the expansion of primary education. A completed primary education is a basic requirement for employability in enterprises that offer very secure employment (see Table 1). Participation even in the more traditional forms of employment requires at least functional literacy (usually defined as a minimum of two years of education). In 1964, only 20 percent of the Colombian population over seven years old had completed primary education; 40 percent had attained functional literacy; and the remaining 40 percent were illiterate.⁷ Thus, the lowest two-fifths of the population are virtually excluded from secure employment because of their lack of education, if for no other reason.

A serious structural problem in Colombian primary education is that most rural primary schools still offer only two years of education. An equally serious social problem is that absenteeism and drop-outs are high in rural schools and in many urban primary schools as well. The combined effect of these problems has been that, in the past, only one-fourth of all students entering the first grade reached the fifth grade. Improvement in the primary school retention rate, showing fifth-grade students as a percentage of first graders five years earlier, is suggested by the following estimates:⁸

⁵Montek S. Ahluwalia, "Income Inequality: Some Dimensions of the Problem," *Finance and Development*, November, 1974, pp. 3-7.

⁶Miguel Urrutia Montoya, "Reseña de los Estudios de Distribución de Ingresos en Colombia," *Revista del Banco de la República*, February, 1970, Table A-2, p. 190.

⁷Richard R. Renner, *Education for a New Colombia* (Washington, D.C.: U.S. Government Printing Office, 1971).

⁸World Bank, *Economic Growth of Colombia: Problems and Prospects* (Baltimore: The Johns Hopkins University Press, 1972), Table 22-29, p. 410.

TABLE 3: Expenditures on Education as a Proportion of Total Expenditures by Government Level, 1961-1970

	Central Government	Decentralized Agencies	States	Municipalities	All Levels of Government
1961	9.6	—	34.0	6.9	12.6
1965	13.5	4.5	34.4	5.1	11.9
1970	13.6	4.4	33.0	5.3	10.9

TABLE 4: Illness by Age and Sex, 1965 (percent)

Age Groups	Both Sexes	Females	Males
All ages	38.7	41.0	36.3
Under 1	43.2	43.5	42.9
1 to 4	40.3	40.4	40.3
5 to 14	29.4	30.0	28.9
15 to 24	31.9	34.9	28.4
25 to 44	43.9	48.2	38.9
45 to 64	53.1	57.2	48.9
65 and over	65.4	67.4	63.0

1968	27%
1970	31%
1972	36%
1974	50%

However, along with children in many rural areas who still grow up as illiterates, probably fewer than half of all young Colombians currently complete primary school.

One might think that the expansion of education in Colombia at all levels would have required an expansion of the proportion of public revenue allocated to this sector. However, no such expansion was noticeable during the 1960's as Table 3 makes clear.

Only central government expenditures have increased proportionately, but this increase has been offset in part by a decline in the support of public education that states and municipalities provide. The above data are reported in a recent study of educational finance in Colombia which concludes that public financing of primary education redistributes some income from the rich to the poor, but that this effect is stronger in urban than in rural areas, and that the redistributive effect runs in the opposite direction at the secondary and higher levels of education.⁹ Considering that primary school enrollments are expanding but that there is little if any increase in the proportion of revenues allocated to education, one can only conclude that quantitative expansion is accompanied by qualitative deterioration. This conclusion is supported by the fact that private primary schools increased their proportion of total enrollments from 15 to 19 percent between 1960 and 1968. The quality of secondary schools, on the other

hand, is probably improving, as evidenced by a proportionate decrease in private school enrollments, from 61 to 54 percent during this time.¹⁰

The strong correlation between employment, income and education variables extends to health. In Colombia, as in other developing countries, the poor are most likely to be illiterate and to suffer from illness, and largely for these reasons they also are the most likely to be unemployed or underemployed.

Human resources analysis and its more theoretical variant, human capital theory, have primarily emphasized the relationship between education and economic growth. The same model can in principle be applied to investment in health, except that data limitations and conceptual ambiguities are even more troublesome in this area of analysis.¹¹ Education is generally assumed to prepare people for participation in the labor market; thus economic analysis emphasizes its potential impact on productivity. Because of the high dependency burden typical of developing countries—i.e., the proportion of the population that is economically inactive, which in Colombia is approximately 75 percent—expenditures on health services are primarily regarded as consumption rather than investment. Nevertheless, a strong case can be made not only that poor health conditions are as much a deterrent to economic development as is low educational attainment, but also that a strong symbiotic relationship exists between health and education.

Colombia's unusually complete information about health conditions and health resources derives from a national morbidity survey, including a sub-sample of clinical examinations in 1965, together with inventories of health practitioner and facilities resources taken in 1966. More recently, the financing of the health sector has been studied in considerable depth. From these sources emerges a profile of health resources distribution that shows the lowest 40 percent of the population to be even more highly disadvantaged

⁹Jean-Pierre Jallade (World Bank), "Public Expenditures on Education and Income Distribution in Colombia," unpublished paper, April, 1973.

¹⁰World Bank, *op. cit.*, p. 394.

¹¹Miguel von Hoegen and Dieter K. Zschock, "Marco Conceptual para Investigaciones en Economía Sanitaria," *Revista Centroamericana de Ciencias de la Salud*, forthcoming.

TABLE 5: Illness and Health Practitioner Consultation By Residence and Income, 1965 (percent)

Income Group	Illness (A)	Consultation (B)	B/A
National Average			
All Levels	38.7	8.8	22.7
Urban Residence			
Lowest 40%	40.1	10.8	26.9
Middle 40%	35.2	13.1	37.2
Highest 20%	24.4	12.8	52.5
Urban Average	37.8	11.8	31.2
Rural Residence			
Lowest 40%	40.7	5.4	13.3
Middle 40%	37.7	6.3	16.7
Highest 20%	32.2	6.8	21.1
Rural Average	39.8	5.7	14.3

in this area than in income distribution and educational attainment.

Children and women in Colombia have higher morbidity rates than men, as Table 4 shows.¹²

The probable reasons for this disparity in morbidity rates are malnutrition in children and the complications of childbirth. In recognition of this disparity, public health resources in Colombia are being concentrated on maternal and child health care.

Morbidity and income are inversely related. The negative relationship is higher in rural than in urban areas, which suggests that rural-urban migration—bringing the poor within reach of public health facilities—is positively related to health status improvement. (The same relationship holds true for education.) Table 5 shows the morbidity-income relationship, including the consultation of health practitioners (physicians, nurses, pharmacists, and midwives) by urban and rural residence.¹³

Morbidity and education also are inversely related, with the divergence greater in rural than in urban areas.¹⁴ See Table 6.

The morbidity data are indices of self-perceived illness. The 1965 household survey found that about four out of every 10 Colombians “felt sick” and that one out of 10 was confined in bed or was seriously restricted in activity. The most frequent causes of illness diagnosed in a clinical sub-sample are ones that are typically associated with low income and poor environmental conditions, namely, intestinal tract and respiratory system ailments. The clinical examinations found, for example, that eight out of every 10 Colombians are infested with pathogenic parasites, so that latent mor-

bidity in the population actually exceeds the self-perceived rate of illness. Among young children, malnutrition accounts for high morbidity and mortality. Only a very small percentage of the children are immunized against common childhood diseases.

TABLE 6: Illness by Educational Level and Residence, 1965 (percent)

Level of Education	National Average	Urban Average	Rural Average
Illiterates	41.1	41.9	40.7
Elementary	38.6	37.3	40.1
Secondary	32.3	32.2	33.2
Higher	19.9	20.1	16.1

A nearly complete inventory of health practitioners and health facilities in 1966 showed that Colombia had about 8,100 medical doctors in active practice.¹⁵ Their distribution among urban and rural areas was very uneven. Seventy-four percent practiced in the large cities, which accounted for 31 percent of the total population. Most of the remaining physicians, (16 percent) were located in the smaller towns (20,000 to 100,000 inhabitants); only about 10 percent worked in rural areas, where over half of Colombia's population lives.

Rural areas are served primarily by recent medical school graduates assigned for one-year internships, but the study showed that only half of all practicing physicians had ever served in small towns and rural areas. Further evidence of the skewed distribution of physicians is the fact that almost half are predominantly or entirely in private practice and serve the upper 20 percent of the Colombian population. The physician to population ratio (1/1,000) for the highest income quintile is about four times that for the next 40 percent of the population, and eight times that for the bottom 40 percent of the population by income levels.

Registered nurses and dentists are in even shorter supply, numbering 1,300 and 2,300, respectively, in 1966. There are only 3,500 auxiliary nurses, elemen-

¹²World Bank, *op. cit.*, table 24-4, p. 434.

¹³Dieter K. Zschock, “Economic Aspects of Health Needs in Colombia,” *Milbank Memorial Fund Quarterly*, April, 1968, Part 2, based on Tables 1 and 2, pp. 221-222. Income groups are approximations.

¹⁴World Bank, *op. cit.*, table 24-7, p. 436.

¹⁵Study of Human Resources for Health and Medical Education in Colombia, *Methods and Results*, Bogota, December, 1972, Chapter 7.

TABLE 7: Health Care Referral

	Health Facilities	Total Beds	Percent Referred
Rural health posts	844	None	—
Village health centers	361	9,819	39.2
Urban hospitals	96	9,797	39.1
University hospitals	11	5,432	21.7
Totals	1,322	25,048	100.0

TABLE 8: Income Distribution

Income Recipients	Before-tax Income	After-tax Income
Highest 20%	63.5%	62.7%
Middle 40%	27.5%	28.0%
Lowest 40%	9.0%	9.3%

tary school graduates with 18 months of formal training. Auxiliaries, however, are the practitioners who usually staff the health posts that serve the rural areas. They, in turn, are augmented by lay workers called rural health promoters, whose primary function is to help coordinate health campaigns in rural areas and to stimulate the population to use improved sanitary practices. Approximately half the rural population, however—over more than six million people—live beyond the reach of even the most elementary modern health services.

The public health system in Colombia is structured vertically as a referral system from the smallest health post to the university hospital. The Ministry of Public Health works closely with the Colombian Association of Medical Schools in health-practitioner training and health-program implementation. Each of the nine medical schools is responsible for a public health region. The university hospital is the pinnacle of the regional referral system, which includes urban hospitals, small town health centers, and rural health posts. Table 7 indicates the facilities of the public health care referral system in 1970.¹⁶

Although Colombians who are poor and who live in rural areas have the highest incidence of illness, the utilization of beds in village health centers is only about 14 percent. This compares with occupancy rates of 57 percent for small-town hospitals and 82 percent for large urban hospitals.¹⁷ The low utilization at the lower levels of care is due to the fact that most of these facilities are inadequate for inpatient care, lacking in virtually all the necessary supplies and seriously under-

staffed. Thus the distribution of quality care is even more unequal than the quantitative distribution of facilities.

The Ministry of Public Health claims responsibility for providing health services for three-fourths of Colombia's population. However, it provides adequate services for only half the target population of over 18 million. A social security system, which covers private enterprise employees, provides medical care for about 10 percent, and a large number of smaller insurance systems cover about 5 percent of the population. The remaining 10 percent of the population, largely coincidental with the highest income decile, pays for its medical care directly. Most of the population, however, supplements public or insurance medical care with privately paid-for services because of insufficient access to the former or because they find the quality of care unacceptable.

Public health expenditures and insurance funds represented approximately 2.8 percent of the total national income in 1970, about three-fifths the level spent in more advanced countries with similar patterns of institutionalized health services.¹⁸

Whether the allocation pattern of funds for health care in Colombia represents any redistribution of income is uncertain. A study in 1966 of income distribution before and after taxes found that the tax system in Colombia, in general, has only a minor redistributive effect, as Table 8 indicates.¹⁹

Even if there is a positive income redistributive effect in the allocation of funds for public education and health services, it is likely that other public sector allocations of funds are either neutral or are negatively skewed in favor of the highest or middle income segments of the population.

The per capita allocation of national revenues for health more than doubled between 1965 and 1975. Since 1973, the central government by law has had to allocate at least 15 percent of its total budget for education and health. Seventy-four percent of this allocation is assigned to education and 26 percent goes for health. Of the total health budget, 30 percent must be equally divided among the states, and 70 percent must be allocated proportionally in accordance with population distribution among the states. This pattern represents an attempt to redistribute income.

(Continued on page 86)

¹⁶U.S. Agency for International Development, "An Analysis of the Colombian Health Sector," mimeo, December, 1972, table 37, p. 136.

¹⁷*Ibid.*, table 39, p. 139.

¹⁸Colombian estimate from World Bank, *op. cit.*, table 24-1, p. 429. For comparative data, see Brian Abel-Smith, *An International Study of Health Expenditure* (Geneva: World Health Organization, 1967), table 7, p. 43.

¹⁹Miguel Urrutia and Albert Berry, *La Distribucion del Ingreso en Colombia* (Bogota: La Carreta, 1975), table 1, p. 202. The income share of the highest 20 percent, shown here, is higher than was shown in a study cited by Urrutia in note 6, above; this greater inequality is at the expense of the middle 40 percent of income recipients.

Dieter K. Zschock has focused his published research on health, education, and employment within the context of economic development. He has also worked as a consultant in these areas for the World Bank, the World Health Organization, the Ford Foundation, the Milbank Memorial Fund, and the U.S. Agency for International Development. His field experience has been primarily in Bolivia, Colombia, Guatemala, and Venezuela.

"... four years of authoritarian rule in Uruguay have provided a semblance of law and order and the hope of a brighter economic future. But these years have also witnessed an unprecedented deterioration of individual liberty and human dignity in Uruguay."

Authoritarian Uruguay

BY ARTURO C. PORZECANSKI

Research Economist, Centro de Estudios Monetarios Latinoamericanos

FEBRUARY, 1976, marks the fourth anniversary of the informal end of democracy and the establishment of an authoritarian regime in Uruguay, a nation whose twentieth century history had been virtually unscarred by dictatorships, military or otherwise, until 1973.

In the 1950's, it became obvious that Uruguay's economy was structurally inadequate. An urban-oriented economic development and a heavy emphasis on the fair distribution of the benefits of economic growth—which led to the creation of Uruguay's famed "welfare state"—resulted in an economy in which more than 50 percent of the national product was accounted for by the services sector. This predominance of services was unusual even in developed countries, which relied on industry to sustain economic growth. It was unheard of in the other developing countries, which were and are heavily agricultural. The abnormal emphasis on services—and on government-provided services in particular—was fruitless, in the long run, because it lacked growth potential. The public service sector was characterized by low worker productivity, a bureaucratic management that suppressed entrepreneurial talent, an inherent inability to earn necessary foreign exchange, and a low capacity for generating and adopting new technology.

Uruguay's industrial sector, which had come into being largely because of government protection from foreign competition, was geared to the production of consumer goods for the domestic market. But it, too, proved inadequate, because a domestic market of only two million people could not provide the incentives for efficient specialization, capital accumulation, or labor absorption.

Finally, the country had a very traditionally managed, land-intensive livestock sector, which was the sole foreign-exchange earner and the main food supplier. However, the post-Korean War decline in the demand for and the price of livestock products (because of the rapid reconstruction of agricultural capabilities

in West Europe, the essentially self-sufficient nature of United States economic growth, and the spread of artificial substitutes for wool and leather) signaled the need for a drastic reorganization of Uruguay's livestock sector that would lead either to lower costs of production for traditional items or to a new range of agricultural products to match the shift in world demand.

As concern mounted in government and academic circles, serious applied economic research was undertaken; the country's first in-depth, multivolume, economic development plan was prepared in the early 1960's. However, the vested interests of the mass of urban employees, industrialists and landowners dictated that the welfare-cum-pastoral society should not be disturbed. Therefore, politicians shied away from tough decisions about the country's economic future and from the intelligent choices that were being presented. Instead, politicians, with the support of the public at large, advocated more public spending and more generous credit to the private sector. Thus, the government was increasingly responsible for providing the jobs and the incomes that were not provided by the normal interaction of economic forces.

Budget deficits were enormous as the public sector expanded employment, spending, credit, and investment beyond its revenues. After a time lag, this inevitably caused an accelerating inflation and growing trade deficits, because people were spending their higher incomes, producers were hiking prices in response to increased sales, workers were demanding higher salaries to protect their purchasing power, and the government, afraid of hurting employment or real income, was financing the inflation by means of monetary and credit expansion.

There were other serious policy errors. To soften the impact of inflation on urban workers and lower-income groups, the government did not allow food prices, utility rates, housing rents, and mass-transit fares to rise as fast as overall prices. This intervention induced

a reduction in the growth rate of food output and a heavier dependence on food imports; it was responsible for a deterioration of gas, electric, telephone, rail, bus, and other key services; and it handicapped the housing industry. To encourage the importing of non-substitutable items at low cost for the benefit of urban consumers and industrial producers, the exchange rate was adjusted too slowly and too infrequently. This worked against livestock exports and against the interest of potential exporters of nontraditional items, because it reduced the profitability of (and heightened uncertainty about) selling abroad, thus discouraging investment into export-oriented activities. Finally, government policy motivated a flight of capital and much currency speculation.

In addition, there were errors by default. Because inflation turned money into an increasingly less attractive asset, the government should have allowed interest rates on checking accounts and time deposits to rise to stay slightly ahead of inflation. But the government did not take this step, and the resulting negative real rates of interest discouraged savings and encouraged a flight from money into other assets (e.g., foreign currency and land). Inflation also created an excessive demand for credit on the part of both individuals and businesses. Inflation also tended to erode real tax revenues, because it encouraged the postponement of tax payments (it is cheaper to pay one's taxes with depreciated currency). The tax system should have been established on a more current basis, and the non-fulfillment of tax obligations should have been heavily penalized. Instead, inflation was allowed to breed additional inflation by generating greater fiscal deficits.

The impact of economic conditions on Uruguay's political system can be inferred from two statistics. In the 18 years from 1955 to 1972, the total output of goods and services (i.e., the real gross domestic product) grew by a meager 11 percent, almost the poorest economic performance of any Latin American country. During the same time span, consumer prices increased by a staggering 23-fold; in the peak year 1968, prices rose by 125 percent. A lack of employment opportunity led to popular anxiety and frustration, particularly among the young, whose job prospects were dim. Inflation diverted resources from useful production and introduced social chaos, as workers, managers, professionals and civil servants engaged in a struggle to maintain their real earnings.

Strikes and demonstrations became a monthly and then weekly and then daily exercise. Naturally, the political system was strongly criticized by various economic groups.

INSTITUTIONAL WEAKNESSES

Why did the situation deteriorate so rapidly without generating new leadership? At least two institutional

factors militated against a new leadership and in fact contributed to the country's political decay: a multi-party committee executive and a unique method of tabulating election returns.

From 1954 to 1967, Uruguay's executive branch was headed not by a President but, rather, by an executive committee of nine men, six from the majority and three from the minority parties. In hindsight, this pioneering arrangement can be said to have failed. Ideological and personality differences within the committee rendered the executive ineffective. By 1966, when a referendum was held and the constitution was finally amended to provide for an executive headed by a President, it was too late.

The other institutional factor was the peculiar method by means of which, under Uruguayan law, the results of political elections were tabulated. Political parties were allowed to enter several tickets, i.e., several teams of candidates, for executive and legislative posts. The winning ticket was the ticket that received the most votes within the party that received the most votes. This meant that despite the votes it amassed, a given ticket could not win unless its party also won. Thus political parties entered as many tickets as possible in the hope of securing the largest total of votes. In effect, intra-party selectivity was discouraged, the rise of new parties was blocked, and the will of the electorate was often frustrated because power was won by a subset of politicians who, in fact, might have received only a small minority of the vote. Thus the election law blocked change and new leadership.

The breaking point came in the early 1970's, with the appearance of a relatively small but effective group of urban guerrillas, the now famous Tupamaros. Mostly young men and women from Montevideo's middle class, the Tupamaros engaged in highly successful and much publicized robberies and kidnappings, designed to embarrass the Uruguayan government, to weaken its power and respectability, to highlight its impotence and ineptness, and thus to destroy its legitimacy. By 1972, it was clear that they had succeeded.

But the political power they hoped to seize eluded them. Instead, President Juan M. Bordaberry called on the patient military to intervene in a definitive anti-guerrilla campaign. As a condition of military intervention, a "state of war" was declared, effectively cancelling all constitutional rights and freeing the armed forces from public accountability. The military engaged in massive arrests, searches, and interrogations; by early 1973, the Tupamaro organization was disbanded and most of its active members were in military jails.

However, once out of their barracks, military forces were not ready to relinquish power. Headed from their military success against the guerrillas, the top brass decided to help fill the vacuum of leadership. In February, 1973, they told President Bordaberry that he could remain in office but would thereafter rule with the

aid of a Security Council whose members would include the commanders-in-chief of the three armed forces and a limited number of key ministers. Bordaberry was forced to agree to the new administration, which introduced a new and different stage of Uruguayan political life.

FOUR YEARS OF AUTHORITARIANISM

At first, the military did not agree on concrete economic and social policies. Ideological divisions ran deep: some officers preferred a Peruvian-style solution (nationalist-leftist); others urged a Brazilian-style regime (nationalist-rightist). However, all military officers agreed that the useless trappings of representative democracy had to be eliminated, so that they could monopolize political power. Accordingly, during 1973, Congress was dissolved and many popular legislators were detained; Communist and socialist parties and other left-wing student and political organizations were proscribed; trade unions were disbanded, and key labor leaders were imprisoned; all opposition newspapers were shut down, and many of their reporters and editors were jailed. President Bordaberry, an honest and conservative landowner who agreed with the military, took charge of the clean-up campaign. To aid and control him, however, a 25-man Council of State was established in December, 1973.

By early 1974, the ideological struggle within the armed forces had been resolved. Indeed, despite the absence of a strong military *caudillo*, the Brazilian type of nationalist-rightist group had apparently prevailed. In June, 1974, President Bordaberry was told to fire most Cabinet members and Alejandro Vegh Villegas was named finance minister. A competent professional and a man with a strong personality, with close ties to the business community at home and banks and official lending institutions abroad, Vegh Villegas was chosen to implement a new conservative economic policy.

NEW INITIATIVES

In 1974 and 1975, relatively bold initiatives were taken. A Foreign Investment Law was approved to make it clear, for the first time in many decades, that foreign capital would be welcome in virtually any sector of the economy, that profits could be remitted freely, and that foreign funds could be repatriated after an initial (three-year) period. An Industrial Development Law was also passed to provide a legal framework for a program to grant tax, credit, and import-duty concessions to industries of national interest.

The importation of capital goods, spare parts, and maintenance tools was facilitated by Central Bank rulings that greatly liberalized import controls. An Export Development Law granted various fiscal privileges to local firms producing goods for export or engaged in the marketing of export items. As part of a

program to rationalize the tax system, inheritance, personal-income, dividend, and other taxes were abolished and the role of property, company, and value-added taxation was enhanced. The market for foreign exchange was for the most part freed from long-standing and complex quantitative controls and regulations. After a long period of neglect, the country's once fine infrastructure (water and power supplies, railways, roads, and the like) was modernized and expanded by means of substantial loans from international agencies. Steps were taken to explore potential mineral and oil fields. The potentially enormous contribution of fishing—a prospect long ignored by meat-consuming Uruguayans—was recognized, and the largely government-owned fishing fleet and processing facilities were greatly enlarged. Uruguay's economic relations with her neighbors were strengthened by a series of rewarding trade and integration agreements.

Virtually all these measures, however, would have a visible impact on Uruguay's economy only in the long run. Meanwhile, key short-run problems were not solved. While Uruguay slightly improved her production record—the gross domestic product grew, in real terms, by 1.1 percent in 1973, 2.1 percent in 1974, and an estimated 3.6 percent in 1975—this improvement was not accompanied by an increase in the ratio of investment to national income, which is the principal determinant of future growth. Fiscal deficits have continued, government spending exceeded income by 9.8 percent in 1973, 33.9 percent in 1974, and 37.5 percent in 1975. An inadequate exchange-rate policy, the tremendous rise in the price of oil (which Uruguay imports), and structural problems in the world market for meat all contributed to turning a current-account surplus of \$37.2 million in 1973 to deficits of \$132.6 million and \$202.9 million in 1974 and 1975, respectively. Finally, a monetary policy which was insufficiently restrictive nourished cost-of-living increases of 97.2 percent in 1973, 77 percent in 1974, and 81.7 percent in 1975.

Nevertheless, the latest figures show an improvement on the foreign trade and inflation fronts. In the first six months of 1976, exports exceeded imports by \$16 million, while the corresponding figure for the first six months of 1975 was a deficit of \$72.9 million. Similarly, in the period from December, 1975, to June, 1976, consumer prices rose by only 9 percent, as compared with an increase of 25.6 percent in the equivalent period a year before.

The country's future economic performance depends

(Continued on page 85)

Arturo C. Porzecanski, a specialist on Uruguay, teaches and studies at the Center for Latin American Monetary Studies in Mexico City. He is the author of *Uruguay's Tupamaros: The Urban Guerrilla* (New York: Praeger, 1973).

"It is likely that the Carter administration will seek to reinvigorate the Kissinger dialogues; but without Kissinger, Latin American hopes may be lowered to a more reasonable level. Still, nagging questions about trade, technology and monetary difficulties will not disappear miraculously."

Kissinger's Legacy: A Latin American Policy

BY FRANCIS P. KESSLER

Associate Professor of Political Science, Missouri Western State College

THE administration of President Jimmy Carter will find that its predecessors built a Latin American policy on premises that evolved during a stormy period of international pressures on the cold war "pax Americana." In the late 1960's and early 1970's, as the United States foreign policy establishment agonized over problems in Vietnam, Cambodia, the Middle East and Cyprus, the beleaguered analysts could look, with a welcome sense of relief, at the relative calm in Latin America. Attempting to insure that tranquility, Secretary of State Henry Kissinger called, late in 1973, for "new dialogues" among "hemisphere equals."

The proposed policy won plaudits throughout Latin America; and the new scenario for inter-American relations obviously flattered hemisphere diplomats who were to engage in "frank and open" discussions with the recognized architect of President Richard Nixon's successful foreign policy. Kissinger's mystique, personal charm and reputed *macho* lent an air of excitement and a semblance of positive movement to what had become a stagnant non-policy since 1969. Nonetheless, within 18 months, some Latin Americans were asking hemisphere organizations like SELA (the Latin American Economic System) to exclude the United States and to include Cuba.

What made the honeymoon so short? Why the vacillation over Kissinger's courtship? The importance of

Kissinger's overtures and the causes of increasing tensions must be viewed within the context of a "developing" hemisphere supplying raw materials to a shortage-conscious world. Kissinger's new vistas for inter-American diplomacy must also be related to political realities in the United States that have made concessions in the direction of Latin American aspirations difficult.

The selection of Henry Kissinger as President Nixon's National Security Adviser brought to the White House a man tailored to the President's priorities in foreign policy; unfortunately, Latin America was not among them.¹ In October, 1969, President Nixon told members of the Inter-American Press Association that he espoused a low-profile policy,² thus relegating inter-American affairs to a veritable limbo. His policy resembled those of the 1940's and 1950's, i.e., a Latin American policy geared to the least possible expenditure of time and resources.³ Nixon's theme for inter-American relations was "a mature partnership," based on trade, not aid. The President promised "no more grandiose schemes"⁴ (a transparent broadside leveled at Presidents John F. Kennedy and Lyndon Baines Johnson for their Alliance for Progress); and he suspended the policies of encouraging democracy and providing extensive developmental aid that had characterized the Alliance period.

With a plethora of policy problems between 1969 and 1973, the hemisphere strategy of "benign neglect" proved sufficient, albeit unimaginative. The administration's apparent lack of concern mirrored the attitudes of most of its predecessors. Innovations in United States—Latin American policy are usually undertaken when the United States perceives threats to its physical or economic security. In most cases, United States initiatives have been taken in reaction to feared foreign infiltration of unstable Latin American governments, which is perceived as a threat to United States defenses, i.e., the Monroe Doctrine, and the James Polk, Theodore Roosevelt, and Lyndon Johnson corol-

¹Sol Linowitz, Lyndon Johnson's ambassador to the Organization of American States and author of the Commission on U.S.-Latin American Relations report entitled "The Americas in a Changing World," said in *The New York Times*, June 19, 1974, p. 20: "President Nixon is the first President of this century who prided himself on his knowledge of foreign policy and had no policy at all for Latin America."

²Richard M. Nixon, "Action for Progress" speech delivered to the Inter-American Press Association Convention (October 31, 1969) reprinted in *Vital Speeches*, vol. 36, no. 3, November 15, 1969, p. 71, hereafter cited as Inter-American Press Speech.

³Jerome Slater, "United States and Latin America: Premises for the New Administration," *Yale Review*, vol. 64, Autumn, 1974, p. 8.

⁴Richard Nixon, Inter-American Press Speech, p. 72.

laries to the doctrine. The 1962 Cuban missile crisis underlined potential security dangers in the hemisphere. Nonetheless, by 1968, defense had become a less serious problem, because of agreements with the Soviet Union after the crisis, the misadventures of Che Guevara in 1967, the disarray evident after the first conference of the Organization of Latin American Solidarity (OLAS),⁵ Cuban Premier Fidel Castro's growing dependence on the détente-minded Soviet Union, and Cuba's inability to give financial support to revolutionaries. In fact, many of the premises about Latin America in the 1960's were changing so rapidly that a thorough reevaluation seemed in order when Kissinger was named Secretary of State in October, 1973.⁶

During the Senate Foreign Relations Committee hearings on that nomination, Senators Hubert Humphrey (D., Minn.) and Gale McGee (D., Wyo.) chided the secretary-designate for the administration's disinterest in hemisphere affairs.⁷ Kissinger retorted that he intended to make Latin American relations a priority item on his agenda. Among the factors to be considered before charting a new course for inter-American relations were the growing importance of Latin America as a raw materials supplier, deemphasis on security and changing role perceptions of military sectors, and the growing tendency of Latin Americans to identify themselves with the goals and aspirations of the third world.

On the economic front, the energy crisis taught Latin Americans the importance of their natural resources in driving hard bargains with the industrialized world, especially with the United States. Venezuela, for instance, was producing 3.4 million barrels of oil per day,

most of which was being channeled into United States markets. Carlos Andres Perez, a recognized friend of the United States before his inauguration as President of Venezuela, remarked, "Our first market is the United States, but they must give us more technology and capital as well as a voice in international trade and monetary policy."⁸ Ecuador, Peru and Mexico are also oil producers, and each of these nations has initiated nationalization programs geared to eventual autarky in petroleum. Bolivia and tiny Jamaica are finding that bauxite can be a potent bargaining chip in negotiations with the United States. Coffee and sugar producers have also cooperatively priced their products with some success; and, contrary to the contention of economists that cartels cannot work, these ventures raised the price of the products, after several months of skyrocketing returns, to new, higher plateaus.

A glance at the political map of Latin America reveals a steadily increasing number of right-wing military regimes. Brazilian attempts at democracy have given way to a notoriously repressive, albeit economically miraculous, military regime. Chile, the pride of South American democracies since 1932, finds her "non-political" military employing coercion at the expense of human rights to remove all vestiges of the Marxist experiment of Salvador Allende Gossens. Uruguay, birthplace of the Alliance for Progress and long a model democracy, is governed by military leaders who have abandoned the charade of support for the once popularly elected President Juan Bordaberry. In Argentina, with inflation rampant (300 percent +), left-wing terrorism bordering on insurrection in Tucuman province, and agricultural production plummeting, a junta headed by General Jorge Videla has ended "la Presidente" Isabelita Peron's elected civilian regime with the typical "trusteeship" cry for "restoration of order." These disturbing steps backward in Latin America were not discouraged by Washington.

It is noteworthy that the chances for social change without violent revolution (and unfortunately often without democracy) have increased as fears of Castro-exported revolutions have subsided. In Panama, and for awhile in Peru and Bolivia, the military, previously preoccupied with guerrilla bands, began to take an interest in far-reaching social and economic reforms aimed at improving the lot of the masses. United States-Soviet détente further dispelled the siege mentality of the 1960's and its emphasis on massive infusions of capital for the creation of national security forces in Latin America. The Mutual Assistance Program (MAP) by which the United States helped finance Latin American arms purchases has all but disappeared. In fiscal 1966, MAP assistance in the hemisphere stood at \$80 million; by fiscal 1973 it had dropped to \$16 million,⁹ and in fiscal 1975 MAP assistance was a mere \$10 million, divided among nine nations.¹⁰

To the dismay of United States defense contractors,

⁵An excellent evaluation of the goals and activities of OLAS can be found in Organization of American States, General Secretariat, Special Consultative Committee on Security, *Against the Subversive Action of International Communism: The First Conference of the Latin American Solidarity Organization*, OEA/SER. L./X/11.18, OAS official documents (English).

⁶An interesting multidisciplinary job of analysis of Latin American institutions can be found in Luigi Einaudi (ed.), *Latin America in the 1970's* (Santa Monica, Calif.: Rand Corporation, 1972), a study written under contract with the U.S. Department of State (R-1067).

⁷U.S. Congress, Senate, Committee on Foreign Relations, *Hearings on the Nomination of Henry A. Kissinger to be Secretary of State*, 93d. Congress, 1st. session, September 7-14, 1973, part I (Washington, D.C.: Government Printing Office, 1973).

⁸*The New York Times*, February 21, 1974, p. 14.

⁹For a discussion of MAP changes see: Luigi Einaudi, Hans Heymann, Jr., David Ronfeldt, and Cesar Sereseres, *Arms Transfers to Latin America* (Santa Monica, Calif.: Rand Corporation, 1973) a study written under contract with the U.S. Department of State (R-1173), 1973, p. vi. See also *The New York Times*, January 12, 1975, p. 20.

¹⁰*The New York Times*, January 12, 1975, p. 20. U.S. policies on the sale of weapons to Latin America has permitted sales beyond previous congressional limits since fiscal 1972, when Nixon permitted the legislation curbing such sales to be exceeded by \$50 million. See U.S. Department of State, report by the Secretary of State (William P. Rogers), *United States Foreign Policy 1972*, (DOS Publ. #8699) (Washington, D.C.: Government Printing Office, 1973), p. 412. The nine hemisphere recipients of MAP dollars in 1975 were: Bolivia, Dominican Republic, El Salvador, Guatemala, Honduras, Panama, Paraguay and Uruguay.

sales of military hardware declined as Congress tried to discourage a hemisphere arms race. A recent RAND corporation study showed that Latin American military establishments were buying updated weapons tailored to their needs from France, Great Britain and West Germany.¹¹ A new surge of military spending may, however, be in the offing, as Brazil's neighbors observe the South American giant emerging from the shadow of the United States and asserting itself, clearly "bent on *lideranca*."¹² Recent Brazilian acquisitions of "peaceful" nuclear technology from West Germany have increased uneasiness in Argentina and Peru, who fear that this technology could be diverted to "non-peaceful" uses.

In recent years, discussions of security in the hemisphere have centered on economic¹³ rather than on strictly military considerations. Experience with the investments of foreign nationals, especially the quasi-omnipotent multinationals, and the persistent United States tendency to "fight the American businessman's battles" have led to demands that foreigners invest on the host country's terms. Colombian Foreign Minister Alfredo Vasquez Carrizosa indicated that "inter-American relations would have to be detached from the interests of private foreign capital."¹⁴ Luis Echevarria Alvarez, while he was President of Mexico, spoke firmly of a nation's "free right to dispose of its natural resources and regulate foreign investment."¹⁵

Latin America [said Mexican President Echevarria] forms a part of the third world. Its struggles are coincident with those being made by other nations against colonialism, . . . attempts at subjugation, and injustice in international transactions.¹⁶

Mexico's geographic position and her conflicts with the United States had once caused Porfirio Diaz, Mexico's turn of the century strongman, to lament, "Poor Mexico! So far from God, so close to the United States."

The early policies of the Nixon administration evidenced a grasp of the changing realities in Latin America even before Secretary-designate Kissinger promised to give the hemisphere policy a careful review. In addition to cuts in the MAP, the administration tried to scale down the heavily bilateral development assistance

system by funneling monies through the World Bank, the Inter-American Development Bank and similar international agencies.¹⁷

The *realpolitik* of the Nixon recognition policy permitted the United States to develop relations with democracies or dictatorships and with governments of the political right or left. One might question, however, whether recognition of ideological and political diversity should mean similar treatment for every nation, whether or not it respects human rights. In recent months, the United States Congress has been insisting that human rights be seriously considered. The end of military assistance to Chile and roadblocks preventing international loans to the Chilean junta are cases in point. During the spring of 1976, Secretary Kissinger began to criticize violations of human rights in Chile, thus joining the chorus of complaints being heard in the Organization of American States (OAS). As a gesture of good will toward the Carter administration, more than 300 political "detainees" were freed by Chile's junta. Amnesty International considered this move as exposing only the tip of an iceberg.

Soon after his Senate endorsement as Secretary of State, Henry Kissinger undertook a series of initiatives to improve the spirit and the content of inter-American relations. To underscore the importance he attached to this endeavor, in his first official act as secretary, he conferred in Washington with Mexican Foreign Minister Emilio Rabasa. Later that week, Kissinger invited the Latin American foreign ministers who had been serving as delegates to the General Assembly of the United Nations to lunch with him; and he suggested a future informal meeting to begin discussions of outstanding mutual problems. Twenty-four Latin American ministers journeyed to Bogota in November, 1973, to plan an agenda for the first of the conferences, planned for Mexico City in February, 1974. They adopted an eight-point agenda that included cooperation for development, United States economic sanctions, reform of the OAS, Panama Canal negotiations, international trade and monetary questions, multinational corporations, and the transfer of United States technology to Latin America.¹⁸ Significantly, the topics chosen for the Mexico City meeting did not refer directly to Cuba, although the issue eventually came up behind closed doors at the Tlatelolco Palace. Formal

(Continued on page 86)

Francis P. Kessler was one of twelve scholars selected nationally for the March, 1974, seminars of the United States Department of State in Washington, D.C., on United States policy toward Latin America. He was selected by the department to participate in a foreign policy discussion with 30 mid-West "notables," meeting with Henry Kissinger in Kansas City on May 13, 1975, and attended a Department of State Conference in Washington, D.C., on foreign policy in June, 1975.

¹¹Luigi Einaudi, *Arms Transfers in Latin America*, p. vi.

¹²F. Parkinson, "Latin American Foreign Policies in an Era of Detente," *International Affairs*, vol. 50, no. 3, July, 1974, p. 440.

¹³The Latin American bill of economic rights might well be the 1969 Consensus of Vina Del Mar.

¹⁴*The New York Times*, February 22, 1974, p. 1.

¹⁵*The New York Times*, February 22, p. 10.

¹⁶*Ibid.*, p. 10.

¹⁷This position has caused two-thirds of United States development aid to be funneled through multinational organizations in addition to Food for Peace and U.S. Export-Import Bank loans.

¹⁸For more information on the November meeting at Bogota see *The New York Times*, February 19, 1974, p. 1. In the list of proposed agenda items, the United States economic sanctions item referred not to Cuba, but to the ability of the United States to use economic coercion against any hemisphere state.

BOOK REVIEWS

ON LATIN AMERICA

PERU: A CULTURAL HISTORY. By Henry F. Dobyns and Paul L. Doughty. (New York: Oxford University Press, 1976. 336 pages, maps, selected bibliography, tables and index, \$12.50, cloth; \$3.95, paper.)

"Peru is a vast and complex country. Its rich human cultures and national endowments are endlessly tangled in a web of prehistoric events, colonial tradition, and modern needs." The authors point out the three general geographic regions in Peru: the Amazon rain forest, the highlands and mountains, and the coastal desert broken by the oasis river valleys. The coastal oases, only one percent of the total land area, hold 45 percent of the population and produce most of Peru's export crops and her domestic urban food supply. Since the 1950's, Peru has benefited greatly from the exploitation of the world's richest fishing grounds off her coast in the Pacific Ocean.

The history of Peru began in the river valleys thousands of years before the great unification of earlier cultures by the Incas, who "conquered the other peoples, consolidated their domain, and were themselves suddenly subjugated within a single century."

In establishing effective control over the conquered people, the Incas were "coolly pragmatic, efficient and totalitarian in their policies." By resettling whole villages of dependable peoples in conquered territories, the Incas broke up blocs of potential dissidents. In general, they proved to be excellent administrators.

In 1532, Francisco Pizarro managed to seize effective control of this whole empire with only 156 men. The ravages of war and disease reduced a population of about 32 million in 1520 to probably five by 1548. Control of Peru passed from the hands of the Spanish during the Napoleonic era in Europe into the hands of the Peruvians themselves.

Since that time, there have been many varieties of governing forces in the country. In the 38 years after 1931, for instance, 15 chief executives served an average of 2.5 years; 10 of these arrived in the presidential palace after a coup d'état. Since 1968, the military has been in effective control of the country.

Peru today presents "an intriguing form of political organization dealing with century-old problems." The excellent maps and chronology make this volume a fine tool for the student and researcher. O.E.S.

PERUVIAN NATIONALISM: A CORPORATIST

REVOLUTION. Edited by David Chaplin. (New Brunswick, N.J.: Transaction Books, 1976. 494 pages, bibliography and index, \$19.95 cloth; \$6.95 paper.)

This is a well-documented and scholarly study of the revolutionary military government that has been in control of Peru since 1968. According to the editor, Peru's military junta is managing a "corporatist-national revolution from above, with no elections or other conventional forms of mass democratic participation. Its primary goal seems to be national independence, and the question of social justice is dealt with primarily as a means to this end."

Although many observers of the Peruvian scene since the 1930's have predicted violent mass revolution in Peru, the predictions have failed to materialize. David Chaplin evaluates this prediction. The other contributors to this volume have all conducted field research in Peru; the work itself is a sympathetic treatment of Peru and its people and government.

O.E.S.

ALLENDE'S CHILE. Edited by Philip O'Brien. (New York: Praeger Publishers, 1976. 296 pages, bibliography and glossary, \$20.00.)

The authors whose essays are collected in this volume by Philip O'Brien all wrote after the fall of the government of Salvador Allende Gossens in 1973 and the military takeover that followed. The authors evaluate the Chilean road to socialism and the historical developments leading to the Popular Unity period in Chilean history.

The editor warns that because of the somewhat fragmentary information available on Allende's term in office and the internal struggles of Chile's armed forces during this period any contributor's interpretation is open to later correction. O.E.S.

STRUGGLE IN THE COUNTRYSIDE. By Brian Loveman. (Bloomington, Ind.: Indiana University Press, 1976. 439 pages, bibliography, maps, notes and index, \$12.50.)

Brian Loveman focuses on the political processes and social forces that transformed the traditional system of property in rural lands in Chile from 1919 to 1973. It is the author's thesis that although the Chilean military coup in 1973 may "have signaled the end of Chilean democracy, it was not the cause of its demise. Chilean democracy rested largely on the trade-off between traditional elites . . . and Marxist political and labor organizations that allowed repression of rural labor to be the cornerstone of Chilean political economy." When the repression was re-

moved between 1964 and 1973, the whole edifice toppled.

This thoroughly documented work should prove of great value to the scholar. O.E.S.

ALLENDE'S CHILE: THE POLITICAL ECONOMY OF THE RISE AND FALL OF THE UNIDAD POPULAR. By *Stefan de Vylder*. (New York: Cambridge University Press, 1976. 251 pages, citations and notes, \$13.95.)

Stefan de Vylder analyzes the economic reasons for the overthrow of the Allende government. He believes that Chile offers a unique example because no other Marxist President gained power through the ballot box before Allende; the "Chilean road to socialism was a blind ally, leading not to socialism by peaceful means but to a military dictatorship by exceedingly violent means."

A good index would make this work much more valuable. O.E.S.

MAYA. By *Charles Gallenkamp*. (New York: David McKay Company, Inc., 1976. 220 pages, bibliography, illustrations, photographs and index, \$12.95.)

In the last 20 years, the study of Maya archeology has benefited from new discoveries and intensive research. The Maya civilization was centered in Mexico and Central America and was overrun by the Spaniards under Cortes and his successors. The richness of Mayan buildings, art and civilization became known toward the end of the nineteenth century; since that time, the marvels of the Mayan world have been steadily unearthed.

The handsome photographs and drawings in this volume make it a desirable work for casual readers and for scholars.

THE FAILURE OF UNION: CENTRAL AMERICA, 1824-1975. By *Thomas L. Karnes*. (Tempe, Ariz.: Arizona State University, 1976. 283 pages, bibliography and index, \$6.50, paper.)

The author intends "to provide the first survey in English of all the known attempts to combine the Central American states, from the time of independence until the present." He discusses the reasons for the repeated failures and suggests new ways to consolidate the Central American states.

MODERNIZATION, EXPLOITATION AND DEPENDENCE IN LATIN AMERICA. By *Joseph A. Kahl*. (New Brunswick, N.J.: Transaction Books, 1976. 215 pages, name and subject indexes, \$5.95 paper.)

For English-reading students, Joseph Kahl interprets the works of three Latin American sociologists: Argentinian Gino Germani, Mexican Pablo Casanova and Brazilian Fernando Cardoso.

ARGENTINA, 1943-1976: THE NATIONAL REVOLUTION AND RESISTANCE. By *Donald C. Hodges*. (Albuquerque, N.M.: University of New Mexico Press, 1976. 208 pages, selected bibliography and index, \$9.95, cloth; \$4.95, paper.)

The author writes of the Perón years in Argentina, including the recent downfall of Isabel Perón.

UNITED STATES POLICY TOWARD LATIN AMERICA: ANTECEDENTS AND ALTERNATIVES. Edited by *Lewis A. Tambs*. (Tempe, Ariz.: Arizona State University, 1976. 220 pages, \$4.95, paper.)

This volume is a collection of the papers presented at a conference held in 1975 at Tempe, Arizona, to explore the history and the current and future problems of United States-Latin American relations.

MISCELLANY

POLITICS IN THE SUDAN: PARLIAMENTARY AND MILITARY RULE IN AN EMERGING AFRICAN NATION. By *Peter K. Bechtold*. (New York: Praeger Publishers, 1976. 359 pages, appendix and index, \$23.50.)

The Sudan is potentially the breadbasket of the Middle East and Africa; yet little is known of its domestic political difficulties, its economy, its foreign policy, or its leaders and factions. Peter Bechtold provides a detailed, highly informed account of the Sudan that should do much to fill the existing gap in our knowledge of the area.

His study focuses on developments since independence in 1956. The approach is essentially chronological; the writing is clear. Specialists will welcome this volume.

Alvin Z. Rubinstein
University of Pennsylvania

THE FINNISH DILEMMA: NEUTRALITY IN THE SHADOW OF POWER. By *George Maude*. (New York: Oxford University Press, 1976. 153 pages, bibliography and index, \$13.25.)

Though lying in the shadow of Soviet power, Finland is a parliamentary democracy, which retains national independence to a degree not often understood in the West. In this thoroughly researched and compactly written study, Maude evaluates the dilemmas and achievements of Finnish foreign policy.

A.Z.R.

HENRY WALLACE, HARRY TRUMAN, AND THE COLD WAR. By *Richard Walton*. (New York: The Viking Press, 1976. 388 pages, bibliography and index, \$12.95.)

Henry Wallace was a leading figure in the New Deal wing of the Democratic party and a major Cabinet member under Presidents Franklin D. Roosevelt and Harry S. Truman. This study focuses on the 1948 campaign.

A.Z.R.

THE PERUVIAN REVOLUTION

(Continued from page 64)

administration. Relations between these neighbors had been uneasy since early 1973, when Peru began to purchase large quantities of Soviet arms. The replacement of the Marxist Salvador Allende Gossens regime by the conservative government of General Augusto Pinochet in September of that year increased tensions. Armchair geopoliticians spoke of an emerging right-wing, anti-Peruvian axis linking Brazil, Bolivia and Chile, and spun various scenarios for war.⁶ The most plausible of these, from Lima's perspective, envisioned a Chilean attack on southern Peru to knock out that region's rapidly expanding copper industry, a major competitor of Chile's principal export. Such an adventure, furthermore, might bring badly needed domestic support for Pinochet's brutal dictatorship. Describing his nation's elongated neighbor as a "tube," one Peruvian general warned that "when there is pressure in the tube, its only escape valve is Peru."⁷

Both Peru and Chile bolstered their frontier defenses, and Lima took steps to acquire several new warships and military aircraft. In August, 1975, an agreement was reached for periodic consultations concerning troop movements in the border zone, and tensions eased momentarily. But then a ghost from the past returned to haunt the peace of the area.

In the War of the Pacific (1879-1884), Chile had defeated the allied forces of Peru and Bolivia. The latter republic lost its entire coastal territory, while Peru ultimately relinquished the departments of Arica and Tarapacá to Chile. Now, almost a century later, Chile considered granting the claustrophobic Bolivians a corridor to the sea through Arica, a cession requiring Lima's assent. Approval of this transfer would anger Peruvian nationalists, including large segments of the armed forces. Rejection of the plan would harm Peru's relations with La Paz and perhaps drive the Bolivians into an alliance with Chile. Thus, Morales Bermúdez found himself facing a dilemma. In late 1975, however, Chile demanded territory in southwestern Bolivia to compensate for the Arica corridor, a proposal that dampened La Paz's enthusiasm and stalled negotiations.⁸ The pressure on Lima subsided and allowed the new President to concentrate on domestic affairs.

In January, 1976, Morales Bermúdez launched "phase II" of the revolution to "consolidate" the gains of the past, resolve the pressing problems of the moment and "institutionalize" the revolutionary process. Although a formal statement of this program ("Plan Túpac Amaru") had not been published as of this writing, its broad contours can be ascertained from the

speeches and actions of the President in 1976. Calling for a temporary, tactical reordering of priorities, the administration reversed the radical trend of Velasco's tenure. Economy measures instituted in January and June established strict wage and import controls, raised prices and taxes, and, at midyear, devalued the *sol* by a whopping 44 percent. While the government curtailed public spending, it labored to restore the revolution's "credibility" with private capital. A new tax regime simplified bookkeeping procedures for businesses and granted generous investment credits. More important, firms with annual gross profits of less than \$500,000 no longer had to contribute stock to their labor communities and, therefore, would not become cooperatives, as earlier laws seemed to dictate. The administration also signaled its desire for increased foreign investment and attempted to demonstrate its trustworthiness by compensating the Marcona Company for its nationalized properties.

Morales Bermúdez paid lip service to the social property concept, but de-emphasized this controversial and costly program. He has retreated, for the moment, from Velasco's decision to convert the sugar cooperatives into EPS's. In August, the government announced that the state's giant fish-products company would divest itself of its 1,000-boat anchovy fleet. Although seemingly a golden opportunity to expand the social property sector, fishermen's cooperatives were given preference in the purchase of the vessels. The only economic victory for the radicals was a decree greatly reducing the maximum amount of land that could be held by private parties.

Most of these measures were signed by radical Prime Minister Fernández Maldonado, but they were not well received by the left. Nor did frequent "fireside chats" by Morales Bermúdez make austerity palatable to the general public. In March, the leftist editors of the "reformed press" were purged. Anti-austerity riots in early July brought a 30-day suspension of constitutional guarantees, and the state of emergency was extended through October. The government closed a dozen magazines, and arrested numerous civilian critics. Meanwhile, the growing power and restiveness of the military conservatives diverted Morales Bermúdez from the moderate course which he apparently had hoped to follow. A quixotic rebellion by a right-wing general in mid-February was followed on July 9 by a more serious, although also unsuccessful, revolt by the ultra-conservative director of the military academy. Eight days later, the President reluctantly accepted the resignation of Fernández Maldonado along with the resignations of the other two remaining radicals in the Cabinet. A conspiracy to restore the fallen Prime Minister to power the following month ended with the arrest of a dozen junior officers.

As the tarnished Peruvian revolution entered its ninth year in October, 1976, the country continued to

⁶*Latin America*, January 3, 1975, pp. 2, 4.

⁷*Ibid.*, November 15, 1974, p. 358.

⁸*Ibid.*, January 2, 1976, pp. 1-2.

be plagued by inflation, lagging economic growth and an onerous foreign debt. Barring a leftist coup, no bold new reforms were anticipated. Military morale and discipline were in shambles, and popular discontent continued to mount. Although Morales Bermúdez had indicated that phase II would require six years of his stewardship, speculation grew that the beleaguered President might return the government to civilians at a much earlier date. ■

PANAMA

(Continued from page 67)

mitted in peacetime under the Treaty of 1903; 51 percent of the land, about 250 square miles, is unused.¹⁷

Most of the population of Panama is concentrated on or near the girth of the isthmus. But Panamanians lack the capital necessary to build a proper transportation infrastructure, which would facilitate the feeding of the population; nor can Panama use choice nearby lands. Unquestionably, the first step toward economic development in Panama is to raise agricultural productivity. Panama has not been able to take that step.

A new treaty will of course be negotiated, but two important questions remain: the timing of the negotiation and the length of the transition period. The United States speaks of 50 years; the Panamanians of five. A compromise is the most difficult aspect of the negotiations.

Panama has struggled for 73 years to persuade the United States to renegotiate the restrictive Treaty of 1903 and to return approximately 500 square miles of her territory to Panama. While Panama does not control the Canal Zone, her primary natural resource, she will be hopelessly dependent. And while Panama is dependent, most of her population will be poor. Panamanians regard a new treaty with the United States as the final act in their struggle for independence and the first step toward national development. ■

¹⁷Ecumenical Program for Inter-American Communications and Action, *Panama Canal Zone: Occupied Territory* (Washington, D.C.: EPICA, 1973), p. 4.

BRAZIL: WALKING THE TIGHTROPE

(Continued from page 56)

such signs of discontent, and has made some pre-election efforts to assuage worker unrest.

Discontent in the business community causes more concern. Business interests and the working classes are temporarily aligned over the issue of inflation. Businessmen are aware of the effect of galloping inflation on purchasing power and claim that the current rate of inflation is a result not of increased demand but of uncontrolled government spending. The business community was also afraid to suggest government price

controls on basic food prices, with stiff jail sentences for food speculators, a suggestion rescinded because it came in an election year.

The other key issue is the involvement of the state in the economy. The government believes that it must finance and run large industries to prevent further takeovers by the multinational corporations. Businessmen, however, particularly in industries potentially in competition with the state-run corporations, like steel, regard the increasing role of the state as a danger at least as serious as the threat of the multinationals. The business campaign against state control indicates a general loss of confidence in the government, and the chance that President Geisel will reaffirm close ties between business and government are slim.

MDB: CHANGING IMAGES

The MDB's attempt to change its image from a political sham to a legitimate opposition party has led to friction on the political scene. MDB gains in the 1974 elections gave the party an impressive increase in representation at state and national levels. The *distensão* policy of early 1975 and the gradual relaxation of press censorship made it possible for MDB members of Congress to criticize government policies somewhat more openly. Members of Congress began to speak too freely, in the opinion of the government, and two MDB members lost their political rights and office in April. The strong criticism with which the party responded to these actions would not have been permitted under the Medici administration and would not be tolerated today. The success of the MDB and current economic difficulties have stalled *distensão*, and there is no sign of another liberalization move in the near future. Government spokesmen are now attacking the MDB with as much zeal as they have attacked communism, even to the point of calling the MDB "the enemy."

The changing image of the MDB may well mark the end of the party as it currently exists, a victim of its own success. Because of the electoral gains of 1974 and general discontent among middle and working classes, the government was seriously worried about the outcome of the municipal elections scheduled for November, 1976. These elections did not affect the party balance in the legislature, but President Geisel chose to regard them as a national plebiscite on his policies.

President Geisel's election strategy centered around improving ARENA's image and restricting the MDB's power. Vote-getting measures included additional compensation for laid-off workers, increases in the minimum wage, rebates on houses bought through the Banco Nacional de Habitação, and an additional month's salary for those earning minimum wages. All these measures were also designed to head off growing social and political unrest. Some campaign promises

were considerably diluted, particularly the minimum wage increase.

Action against the MDB activity indicated the government's new political stance. Geisel announced in March that institutional Act 5 will not be cancelled; the use of repression will be widespread and flexible; and amnesty for those punished by the revolution is inadmissible. The stand on repression is unambiguous. Over 100 MDB members were arrested and detained in March, 1976, alone, and arrest, detention and disappearance are still common, demonstrating Geisel's determination to prevent an MDB victory.

In addition to overt repression and arbitrary arrest, government censorship severely restricted MDB campaigning. Candidates of the MDB were warned not to start campaigning until one month before the elections and to be careful in their criticisms. Government propaganda espousing the *arenista* cause had been flowing from official presses since January. During the month before the elections, free radio and television time was given, but no political statements, speeches or campaign oratory were allowed.

In the face of this organized opposition and repression, the MDB appeared to be retreating from its new role as an opposition party. The arrest and detention of respected and influential members of the party frightened and disoriented the party leadership. Party leaders had been openly evaluating the "sacrifice" of these elections, since they did not affect the legislative balance and could jeopardize the 1978 elections. Even if the MDB continued to work toward an electoral victory, censorship of the press and other media would provide a serious barrier to its success. As *O Estado de São Paulo* editorialized, "ARENA is detailed to defend what the MDB is not allowed to attack."⁸

The issues of human rights and censorship remain muted in Brazil. The policy of *distensão* brought some relaxation in press censorship, but other media are heavily censored. The arts, particularly music and the theater, are also carefully restricted. The military government has no intention of allowing complete freedom of speech in the foreseeable future. Its constant vigilance over the spread of information is an indication of its basic insecurity.

Violations of human rights and arbitrary arrest and detention remain very much part of the political framework. The Herzog and Fiel Filho cases brought these issues to public attention and forced official recognition of the situation. President Geisel has voiced his concern over repressive measures, but it is difficult to see any difference between the methods used by army commanders who support Geisel and the CODI/DOI (formerly *Operação Bandeirantes*) in São Paulo. There have been few reports of torture since the retirement of General D'Ávila de Melo, arrests and detention in-

creased as the election approached. Censorship and the fear of retaliation moderated criticism, and those who voice their concern over violations of human rights word their concern carefully.

The Roman Catholic Church remains the only organized group protesting the human rights issue. Dom Hélder Câmara of Recife has been in political isolation for some time, but Dom Paulo Evaristo Arns, the Archbishop of São Paulo, has emerged as another champion of the cause. A politically astute figure with contacts in high places, he entered the fray over the Herzog affair, and has continued to lead the Church in protesting arbitrary arrest and torture and in helping to locate prisoners.

Recent events in Brazil point toward a bleak future for much of the population. The economy is increasingly unstable, and the policies taken to correct flaws in the miracle model suffer from internal inconsistency and external pressures. Unless there is an economic upsurge that is distributed more equitably, there will be increasing repression to prevent the articulation of discontent. President Geisel is balancing on an unsteady tightrope, and one misstep will carry his administration and Brazil's plans for the future to disaster. ■

CUBA'S DEVELOPING POLICIES

(Continued from page 52)

Whether or not Cuba intervened in Angola at the behest of the Soviet Union—a question that excites much debate—the African venture demonstrated the close coordination between the two Communist states, with Moscow furnishing the *cubanos* with weapons, supplies, transportation and tactical support. Similar Soviet cooperation in Cuba's economic affairs has been evident for over a decade, and the Havana regime is now as dependent on the Soviet Union as it was on the United States in the pre-revolutionary period. Sixty percent of the island's trade is with the U.S.S.R. (70 percent with the Communist bloc's Council for Mutual Economic Assistance), Cuba's largest commercial partner. This dependence will grow as a result of a five-year trade accord signed on February 6, 1976. Under the terms of this pact—Castro's first long-term trade agreement with a foreign country—Cuban-Soviet commerce is expected to double to about \$7 billion by 1981, as greater quantities of nickel and sugar are exchanged for vitally needed Soviet petroleum.

Soviet influence is also evident in a new five year (1976-80) economic plan unveiled at the 1975 party congress, where Castro confessed: "It is not possible to measure here how much [our] lack of economic awareness has cost us, and still costs us, in terms of work hours and wasted resources."²² The new plan, which was strongly advocated by the Kremlin, emphasizes

⁸*Latin America*, vol. 10, no. 4 (January 23, 1976), p. 26.

²²*Keesing's Contemporary Archives*, February 27, 1976, p. 27595.

the profit criterion and cost-accounting procedures instead of "moral" incentives, "egalitarian wage structures," and other "utopian" efforts to spur production. Although Castro insisted that "the fundamental object is not profits as in capitalism but the satisfaction of the spiritual and material needs of the people," it was evident that changes were needed if the country were to meet the requirements of a population that has grown from 6 million in 1959, when dictator Fulgencio Batista was ousted, to 9.5 million in 1977. Because of low productivity, Cuba requires a daily infusion of \$2 million to \$3 million in aid from the Soviet Union, according to United States Department estimates.

The plan contemplates a 6 percent yearly growth in the output of goods (compared with a 10 percent annual increase in the last five years), a focus on industrial expansion instead of agricultural investment, and an increase in sugar output, from 5.5 million tons in 1975 to 8.7 million in 1980. Despite efforts at diversification, sugar and its derivatives still generate more than 80 percent of Cuba's hard currency, and the nation's economy has been jolted by a recent sharp decline in world sugar prices to one-seventh of their late-1974 level. As a consequence, publication of the final version of the five year plan has been delayed.

Castro, increasingly candid in admitting his country's difficulties,²³ has stated that the sugar price decrease halved foreign exchange earnings in 1976, precipitating a severe balance of payments deficit and a decision to ration important staples like rice, meat and coffee, the island's favorite beverage. Another result of the crisis will be reduced trade with Japan and Spain, Cuba's second and third largest trading partners.

1976 was a pivotal year in the development of Castro's revolution. The Cubans complemented a military triumph abroad with sweeping changes in domestic political structures. They also moved further away from normal relations with the United States, integrating their economy with that of the Soviet Union, on whom they have become increasingly dependent. Despite the severe economic problems caused by the drop in sugar prices, the Castro regime has broadened its political base, depersonalized its government, promoted a new group of technocrats, and gained the confidence of its East European benefactors. Cuba's flamboyant leader, her revolutionary traditions and her military strength have earned Cuba respect among the nations of the third world. ■

²³Daily Report (Latin America), September 30, 1976, p. Q-1.

ARGENTINA

(Continued from page 60)

non-coercive and non-monopolistic basis, where wages are no longer fixed by government decree but established through free bargaining. If the unions are not

taken out of the machinery of government, a Peronist regime may rise again.

VIDELA AND SEDITION

An overriding concern of the government is to eliminate subversion. The security organizations appear to have had substantial successes. On July 20, 1976, Mario Santucho, the head of ERP, was killed. (The Santucho-headed ERP had claimed "credit" for assassinating Abel R. Agarotti, the commander of the national police, Aberdon Sallustro, the Argentine head of Fiat, General Juan Carlos Sanchez and many others.) It is believed that ERP has now lost its fighting capacity, particularly in Tucuman, although it can still kidnap and assassinate.

The other main left-wing terrorist organization, the Montoneros, is also believed to be on the defensive. In early October, 1976, five top leaders of the Montoneros were killed, but the principal leader, Mario Firmenich, is still at large. Undoubtedly the Montoneros have been wounded badly.

Unlike these Moscow-Havana-dominated or infiltrated terrorist groups, the Maoist-oriented FAL (the Armed Liberation Forces) has reappeared. The FAL now operates under the label of the Red Brigades for Worker's Power (BRPO).

Because of its cell organization and the involvement of personnel from the country's security forces, the Videla government has not been able completely to control right-wing terror. The administration's efforts to control terrorism have produced unacceptable abuses. Nonetheless, Videla's stand on human rights is sound.

The military government has set an example by requiring all officers who accept government posts to keep their own military salaries without additional perquisites. No retired military personnel were asked to assume high public office. The government also seems committed to punishing those who violate the public trust.

Even more important in improving the moral climate in the long run will be the government's economic success. The economic chaos of the Peronist regime drove more and more ordinary people outside the law or forced them to deal with criminal elements to obtain basic necessities. This was a recipe for degeneration.

Under the Peronist regime, university degrees were considered practically worthless, and those who received degrees in that period have had trouble finding employment. The government is now establishing more vigorous university entrance qualifications and is expanding opportunities in technical areas.

Since most of Argentina's young terrorists come from the universities and the middle class and not from the shanty towns and working class, involving them in a rigorous education with the prospect of useful work may encourage a responsible view of work.

Economic development is necessary if Argentina

wants to offset the growing penetration of Brazil in the River Plate Basin. Argentina faces the prospect of Brazilian hegemony unless she develops rapidly so that both nations can share influence in the southern cone and the south Atlantic.

Argentina's constitutional democracy was destroyed by the corruption of the democratic principle. When a country's constitutional principle has been corrupted, when its economy has been grossly mismanaged, when sedition is pervasive, and when the society is in an advanced stage of disorder, then a military regime is probably the only alternative. Such a military regime is not a tyranny if it comes into existence after the demise of responsible government. The Videla government is probably the best alternative as long as it serves the common good. ■

AUTHORITARIAN URUGUAY

(Continued from page 75)

heavily, however, on institutional stability and on the quality of short- and long-term economic policy. These factors are obviously contingent on political events, and there have recently been some potentially significant changes in this field.

Although the nation's constitution had been de facto invalidated, it mandated national elections in November, 1976. In conversations about these elections between President Bordaberry and the top officers of the armed forces in early 1976, Bordaberry expressed his belief in an absolute, corporative state with an all-powerful executive and an auxiliary legislative body formed by representatives from the landowning, industrialist, and professional classes. As he saw it, political parties were to be dissolved because of their uselessness and/or because they might one day be utilized as Marxist fronts. Bordaberry saw himself as the permanent caretaker of the country.

On the other hand, most top military officers favored solutions that, in the long run, did not include an absolutist regime nor their direct and personal involvement as rulers. This opposition to a military-junta solution apparently stemmed from the lack of a consensus on who (from within the military) should become President and from a careful reading of the Argentine experience with military leaders. Instead, there was apparently a consensus that politics is for politicians, and that the proper role for Uruguay's military was a transition role between generations of civilian leaders.

Given these important differences in viewpoint, negotiations between President Bordaberry and the military continued. Apparently, differences tended to sharpen and not to fade. Some top officers drew up a plan calling for a gradual return to "limited democracy," Brazilian style, in which a new group of civilian leaders would slowly acquire increasing authority in administrative tasks and political decision-making. Bor-

daberry apparently rejected this plan. As negotiations became deadlocked, the military asked Alberto Demicheli, the 80-year-old civilian chairman of the Council of State, to prepare himself for a temporary appointment as President. On June 12, 1976, and without any violence, Bordaberry was ordered to resign and Demicheli became interim President.

Shortly thereafter, the chiefs of the armed forces announced that 72-year-old Aparicio Méndez—who, ironically, is a professor of constitutional law—would become the new President on September 1, 1976. Méndez, an old-time conservative politician (after Demicheli, the highest-ranking civilian in the Council of State) was obviously chosen because he would be an obedient puppet. The military also revealed a more detailed version of its plan for the country's future. It specified that—if he lives that long—Méndez would remain in office for five years; that he would be replaced by a candidate, chosen by the two largest political parties and approved by the armed forces; who would also rule for five years; and that free elections with more than one candidate would be held five years after that, i.e., in 1986.

To encourage the new generation of politicians that the military would like to see in ten years' time, the first "institutional act" signed by President Méndez in early September, 1976, was a purge of several thousand political leaders. Anyone who had been a candidate for a leftist party in the last two elections (1966 and 1971) was stripped of all his political rights for 15 years. Candidates of all other parties and all national staff members of existing parties also lost all political rights except the right to vote for the same period. As the weekly *Latin America* put it in its September 10, 1976, issue,

With only those actually holding office in the present administration exempted, a whole generation of politicians has been virtually retired for life.

Méndez's second "institutional act" was no less important: it abolished the Supreme Court and replaced it with a ministry of justice within the executive branch of the government.

One minor non-event was the non-reappointment of four former Cabinet members, including Finance Minister Vegh Villegas. Vegh Villegas had made it known that he was personally opposed to Méndez's measures; in addition he was no longer liked by the military because he insisted on economy in defense spending and on moderation in the awarding of military pay increases. He was replaced by Valentín Arismendi, a little-known economist who has pledged to continue Vegh Villegas' policies.

In conclusion, four years of authoritarian rule in Uruguay provided a semblance of law and order and the hope of a brighter economic future. But these years have also witnessed an unprecedented deterioration of individual liberty and human dignity in Uruguay.

Thus Amnesty International, the well-known London-based organization, has estimated that, on a per capita basis, there are more political prisoners in Uruguay than in any other country in Latin America. That is surely a change for a country that formerly had no political prisoners. It should also be noted that, deprived of their rights, Uruguayans have voted the only way they could: preliminary results of the 1975 census show that in that year there were no more people in Uruguay than there had been in 1966. This is the result of massive emigration and a drastically reduced birth rate and is surely an indicator of the popularity of Uruguayan-style authoritarianism. ■

COLOMBIA

(Continued from page 72)

As in the case of education, however, the proportional contributions from general tax revenue by the states and municipalities to total public health expenditures have been declining. The states also receive tax revenues from games of chance and from beer and liquor sales. In the wealthier states, per capita expenditures in public health are probably rising more rapidly than in poorer states.

International loans, which in 1973 financed one-fifth of total public health sector expenditures,²⁰ are intended to help the Colombian government expand health services coverage. The government's current strategy places priority on delivering mother- and child-care services, with a strong emphasis on nutrition, to the poorest 30 percent of the population. However, the government also wants to minimize investment costs and to improve the utilization of existing health facilities. Since these do not reach the poorest segments, health services probably will be improved for the middle income level rather than for the poorest 40 percent of the population. This is not an unreasonable compromise, but it illustrates the great difficulty of redistributing income to the poorest level when the middle level has a far from adequate average income level.

The lowest two-fifths of the Colombian population is likely to remain severely impoverished in the foreseeable future. It is illiterate, it is of poor health, and it lives predominantly in outlying rural areas beyond the reach of education and modern medical care. Except for sporadic guerrilla attempts, this segment of the population has not yet been politicized. The eventual solution to its misery probably lies in rural-urban migration, which will bring the poor within reach of education and health services. Any hope that the poorest segment of the population will achieve more meaningful participation in the economic development of Colombia will remain frustrated, however, as long as the urban unemployment rate remains at its current high level. ■

²⁰Ministerio de Salud Publica, *Gasto Institucional en Salud*, 1973, Bogota, 1975, table 1-6, p. 39.

LATIN AMERICAN POLICY

(Continued from page 78)

discussion of OAS sanctions on Cuba was considered taboo, lest wrangling over Cuba obscure the "frank discussions" to which Kissinger was committed.

To reinforce the credibility of his intentions to enter into a "new dialogue," Kissinger tried to clarify three long-standing issues before the conference opened. He flew to Panama to pen an agreement on the "spirit" of a new Canal Treaty, potentially reversing a 70-year-old United States policy.¹⁹ He helped to reach a solution of the Colorado River dispute with Mexico. And, to the surprise of seasoned observers, he reached a mutually acceptable arrangement with Peru concerning compensation for United States-owned properties seized by decree of the Velasco government.

Kissinger arrived for the "Tlatelolco Conference" with an impressive bipartisan congressional delegation to show that Congress was participating in the new beginnings.²⁰ The theme of Kissinger's remarks, soon to be dubbed the "Spirit of Tlatelolco," was collaboration among hemisphere equals in a discussion of survival in an interdependent world. He pointed out that Latin American expectations of United States capabilities had been too high. "We will promise," he said, "only what we can deliver."²¹ He renewed a commitment to a system of general trade preferences and pledged the administration to try to avoid placing new limits on Latin American access to United States domestic markets. He indicated that the United States was prepared to undertake prior consultation with its neighbors on the world food conference, the population conference, and the conference on the law of the sea. He also declared that the United States would try not to impose "our political preferences"²² or intervene in the domestic affairs of others and would try to promote a decent life for all of the citizens of the hemisphere.

On the problem of the rights of United States investors in Latin American nations, the Secretary did an adept job of verbal sparring. On the one hand, he dutifully referred to the historic Latin American doctrine that holds that a foreign investor has no right to invoke the protection of his home government. On the other

¹⁹U.S. Department of State, *News Release*, Text of an address by Secretary of State Kissinger at Panama on the occasion of the signing of the joint statement of principles for negotiations on a new Panama Canal treaty (Washington, D.C.: Bureau of Public Affairs, Office of Media Services, February 7, 1974).

²⁰The congressional delegation included Senate Majority Leader Mike Mansfield, Senate Minority Leader Hugh Scott, and House Speaker Carl Albert.

²¹U.S. Department of State, *News Release*, Text of an Address by Secretary of State Kissinger before the Inaugural Session of the Conference of Tlatelolco (Washington, D.C.: Bureau of Public Affairs, Office of Media Service, February 21, 1974), p. 3.

²²*Ibid.*, p. 5.

hand, he spoke of the philosophy behind the United States congressional amendments that dictate severing aid to nations that expropriate United States-owned property without "just, fair, and prompt" compensation. Kissinger concluded that business-related disputes should be removed from the forefront of inter-American relations and he called for machinery to remove them.²³

Secretary Kissinger also spoke of a "special spirit of unity" among the nations of the hemisphere. According to Enrique Bernstein, a senior career diplomat in Chile's ministry of foreign relations,

... he provoked harsh reactions. The Latin Americans said, how can you have a community that includes a rich powerful country like the United States with world-wide commitments, and underdeveloped countries like ours?²⁴

On the issue of restructuring the OAS, the Secretary approved the Latin American version of the final communiqué, calling for a thorough study. The United States was not eager to tamper with the collective security system, which had proved valuable during the missile crisis, the implementation of the Cuban embargo, and the "police action" in the Dominican Republic, and in dealing with disputes like the Soccer War. Although Kissinger conceded after the conference that concrete solutions were not to be found in the "Declaration of Tlatelolco," he contended that the foundation had been laid for fruitful discussions.

Following the Mexico City conference there were meetings in Washington, D.C., and Atlanta; but by the end of the OAS General Assembly meeting in April, 1974, the Latin American foreign ministers were becoming impatient. They measured Kissinger long on polemics but short on performance. The issue of Cuba, which had been shunted aside, was an underlying source of discontent, because United States policy was viewed as anachronistic in light of the tolerance for ideological pluralism characteristic of the Nixon Doctrine and the "Spirit of Tlatelolco." Ironically, even Venezuela, which had been instrumental in having the sanctions against Cuba imposed in 1964,²⁵ was considering re-establishing ties with the Castro regime. Venting her frustration with United States policy toward Cuba,

²³*Ibid.*, p. 4.

²⁴Richard Armstrong, "Suddenly It's Manana in Latin America," *Fortune*, August, 1974, p. 139.

²⁵Organization of American States, *Actas Consejo de OEA* (Extraordinaria), del 3 de diciembre de 1963, OEA/SER. G/II/c-a-525, p. 2, contains the Venezuelan letter requesting OAS action.

²⁶This author was assigned to the Cuban desk at the State Department during the week of March 25, 1974, as a part of the Scholar/Diplomat Seminar on Latin American Affairs, and can testify to the bind that the State Department found itself in over the sale of cars to Cuba. It was difficult to justify a policy that was, at best, outdated.

²⁷President Ford made this point in his first press conference as President. See *The New York Times*, August 29, 1974, p. 1.

²⁸U.S. Department of State, *News Release*, Text of Speech, "Good Partner Policy for the Americas," an address by Secretary of State Kissinger at the General Assembly of the Organization of American States, at Atlanta, Georgia.

²⁹*Ibid.*, p. 3.

Argentina threatened to sever diplomatic relations with the United States if Washington did not permit an Argentine subsidiary of General Motors to sell automobiles to Castro.²⁶ Mexican Foreign Minister Emilio Rabasa suggested that Cuba be invited to future meetings of foreign ministers even if only as an observer. Kissinger did not rule out the Mexican suggestion, and the State Department made an "exception" in the Argentine case. While neither of these decisions signaled a dramatic shift in United States-Cuban policy, they were concessions to Latin American discontent. From the Cuban side, a casual reader of *Granma*, the official Cuban newspaper, could recognize that no Cuban love was lost for Nixon, whose name was always spelled with a swastika rather than an x. When he was Vice President, Nixon left his first and last meeting with Castro angrily castigating him as an "obvious Communist." Castro's support for various revolutionary groups in the hemisphere did little to endear him to Nixon. As President, Nixon gave no sign that he would consider a conciliatory policy toward Castro; such a policy would have eroded his support on the right in return for a "quid pro quo" of questionable value. Conservative opposition to Cuba, the pall of Watergate and the shadow of impeachment, and the desire to keep the more than \$1 million-a-day burden of Cuba's economy on the back of the Soviet Union were the most important considerations in the continued United States isolation of Cuba. President Gerald Ford later made it clear that United States policy toward Cuba would not be a closed subject after his "instant Presidency" began to mature.²⁷

Meanwhile, Kissinger set out to mute discontent over another thorny inter-American problem, i.e., trade concessions. At the April, 1974, General Assembly meeting, he informed the delegates that he was sending William Eberle, the President's Special Trade Representative, for bilateral talks in Latin American capitals. He also sought to emphasize what he considered the positive aspects of the "Good Partner" relationship, including the working group on science and the transfer of technology, the collective effort to increase food production in the hemisphere with a comprehensive agricultural survey, and administration support for Latin American participation in the reform of the international systems that govern trade and monetary policies.²⁸

"The ultimate test of our relations," Kissinger told the assembled delegates, "will be to translate our aspirations into concrete programs . . ." ²⁹ During the period of the new dialogues, the Secretary emphasized his belief that change cannot be expected overnight. Several of Kissinger's goals failed to attract congressional support. The Trade Act of 1974 and congressional attempts to scuttle negotiations on a new Panama Canal treaty exemplified Kissinger's difficulties in continuing the dialogues.

In the area of trade, the Secretary made promises that he was unable to keep. While his efforts helped produce the liberalized Generalized System of Preferences (GSP) in the Trade Act of 1974,³⁰ discriminatory provisions against Organization of Petroleum Exporting Countries (OPEC), including Venezuela and Ecuador, produced heated protest. The Latin Americans realized that these anti-cartel provisions could be used later against other associations of commodity producers. Claiming that the "rigidity and lack of equity in the Trade Act [of 1974] harmed the fundamental interests of Latin American countries," Argentina, the planned host, indefinitely postponed the third round of the new dialogues.³¹ In the Permanent Council of the OAS, 20 hemisphere nations voted to condemn the Trade Act of 1974 as discriminatory and coercive. In his April 10, 1975, address before a joint session, President Ford urged Congress to reconsider the provisions of the act that have "had an unfortunate and unintended impact on our relations with Latin America."³² One of the provisions under Title V of the act tied restrictions on GSP to the nationalization policies of potential recipients of trade concessions.

The act also reminded the President that he must consider the impact on domestic producers that would result from his application of the GSP to import-sensi-

tive items. Realistically, Latin Americans could hardly expect the United States to renounce the needs of its own industries and workers to insure a broader system of preferences for hemisphere goods in North American markets. The act also called for a reevaluation of the GSP as it relates to individual countries; and thus gave the President a potential tool for the economic coercion of hemisphere dissidents. The President was also empowered to reduce or eliminate tariff barriers in exchange for reciprocity by other nations.

Secretary of State Kissinger was openly irritated with OAS members who permitted their distaste for the Trade Act to compromise the fruitful potential of the new dialogues. At a press conference in the State Department in January, 1975, he said that the new dialogues were in jeopardy.³³

Opposition to the trade bill helped to reunite Latin America, as is often the case, through antagonism toward United States foreign policy. The united Latin American front of Bogota, 1973, had broken down at Quito in November, 1974, when it proved impossible to muster a majority to lift the sanctions against Fidel Castro. Further disarray in Latin American solidarity was evident in December when a conference at Ayacucho, Peru, seeking commitments to limit the arms race, opened without several invited Presidents.³⁴

The subsequent willingness of the Ford administration to go along with the OAS majority to permit the lifting of sanctions against Castro might be viewed as a step to reinvigorate the "dialogues." Unfortunately, Cuban involvement in the Angolan civil war complicated administration efforts to (as Assistant Secretary of State William D. Rogers put it) remove the "Cuban millstone from around the neck of inter-American relations."³⁵ Ford and Kissinger found the Panama Canal problem equally onerous. After several years of effort by United States Ambassador Ellsworth Bunker and the Panamanian foreign minister, a basic framework of an acceptable treaty was in the offing. Congress, however, made it clear that it would not countenance a treaty that relinquished the United States defense or administration of the canal to the Panamanians.³⁶ The canal became an issue in the 1976 presidential campaign, thanks to Republican candidate for the nomination Ronald Reagan. Democratic candidate Jimmy Carter indicated that he understood the need for a new treaty, but he was unwilling to support a treaty that would cede "effective control over the canal" to the Panamanians.

The Carter administration will probably reinvigorate the Kissinger dialogues; but without Kissinger, Latin American hopes may be lowered to a more reasonable level. Still, nagging questions about trade, technology and monetary difficulties will not disappear miraculously. And signs of instability in Mexico, the omnipresent tensions of Cuban relations, and the on-again off-again Panama Canal negotiations promise headaches for the Carter administration. ■

³⁰For an excellent summary of the trade law of 1974 (PL 93-618) as it applies to Latin America see U.S. Department of State, "Latin America and the Trade Act of 1974," *Special Report* (Washington, D.C.: Bureau of Public Affairs, Office of Media Services, no. 18, May, 1975).

³¹In reaction to the Trade Law, Peru's President Juan Velasco Alvarado said: "We believe that the Latin American countries . . . should meet alone, carry out our discussions in Spanish, and reach agreements among ourselves." *The New York Times*, February 2, 1975, p. 18. Mexico and Venezuela went one step further, inaugurating discussions on a Latin American Economic System (SELA, the Spanish acronym). *The New York Times*, April 21, 1975, p. 45.

³²U.S. Department of State, *News Release*, "State of the World," An address by President Gerald Ford before a joint session of the U.S. Congress (Washington, D.C.: Bureau of Public Affairs, Office of Media Services, April 10, 1975), p. 6.

³³*The New York Times*, January 29, 1975, p. 2.

³⁴The Presidents of Peru, Chile, Bolivia, Argentina, Ecuador, Venezuela, Colombia, and Panama were supposed to attend. Rodriguez Lara of Ecuador refused to attend because of old territorial disputes with Peru. Augusto Pinochet Ugarte of Chile wouldn't attend because the Cuban Foreign Minister was invited. The Presidents of Argentina and Colombia both begged off because of "domestic" difficulties.

³⁵U.S. Department of State, *Statement of William D. Rogers, Assistant Secretary of State for Inter-American Affairs before the Sub-Committee on International Trade and Commerce and the Sub-Committee on International Organizations of the Committee on International Relations*, U.S. Congress, House of Representatives, June 11, 1975 (mimeo . . . unpublished) p. 2. As the Secretary put it, "Cuba should not distract us from the fact that there are some two dozen other nations in this Western Hemisphere of over 200 million people." See also William D. Rogers, "The New Dialogue: Toward a Relationship with Latin America," address by the Assistant Secretary for Inter-American Affairs before the Council of the Americas in New York, *U.S. Department of State Bulletin*, vol. 72, January 20, 1975.

³⁶The House of Representatives voted to cut off funds for continued negotiation of the Canal Treaty; opposition in the Senate, led by Senator Strom Thurmond, is said to have the votes to defeat any treaty along the lines of the one presently being negotiated.

THE MONTH IN REVIEW

A Current History chronology covering the most important events of December, 1976, to provide a day-by-day summary of world affairs.

INTERNATIONAL

European Economic Community (Common Market)

- Dec. 3—The European Economic Community countries and other nations along the Rhine River sign 3 agreements to end pollution in the Rhine.
- Dec. 20—Starting today, physicians in the 9 Common Market countries can practice in any EEC country.

Middle East

- Dec. 2—In the U.N., the Egyptian delegation officially asks the General Assembly to prepare for a Geneva conference on the Middle East early in 1977.
- Dec. 6—In the U.N., Israel asks for resumption of peace talks on the Middle East without the attendance of the Palestine Liberation Organization (PLO) as a separate delegation. However, Chaim Herzog, the Israeli delegate to the U.N., says that Israel will not check the credentials of the delegates from Syria, Jordan or Egypt. The PLO continues to refuse to merge with another delegation.
- Dec. 9—The General Assembly votes to convene the Geneva conference on the Middle East by March 1, 1977.
- Dec. 14—In Damascus, the central committee of the PLO says that an independent Palestinian state is a "legitimate right" of the Palestinian people.
- Dec. 25—It is reported from Beirut that PLO leader Yasir Arafat has guaranteed Syrian President Hafez al-Assad that the PLO will cooperate with Arab negotiators during the Geneva conference on the Middle East in 1977; in exchange, Assad promises to allow Al Fatah to maintain military strength in southern Lebanon and in their refugee camps.

North Atlantic Treaty Organization (NATO)

- Dec. 10—North Atlantic Treaty Organization members conclude their year-end ministerial-level meeting in Brussels.

Organization of Petroleum Exporting Countries (OPEC)

- Dec. 15—The Organization of Petroleum Exporting Countries (OPEC) opens a price-setting meeting in Doha, Qatar.
- Dec. 17—OPEC countries differ on an oil price increase: Saudi Arabia and the United Arab Emirates

increase oil prices 5 percent; the other 11 members of the cartel raise prices 10 percent, effective January 1, 1977, with an additional 5 percent rise on July 1, 1977.

Commenting on his nation's decision to hold its oil price to a 5 percent rise, Sheik Ahmed Zaki, Saudi Arabia's Minister of Petroleum, says that Saudi Arabia "expects the West to appreciate what we did and especially the U.S."

- Dec. 22—OPEC nations agree to sign an agreement on December 23 to provide interest-free loans of \$42.7 million to the third world countries of Guinea, Pakistan, Sri Lanka, Sudan, Western Samoa and the Central African Republic.

Rhodesian Conference (See also *Rhodesia*)

- Dec. 1—In Geneva, black and white Rhodesian officials meet for the first time in a joint session to discuss the type of government that should be established in Rhodesia. Each side rejects the other's proposals.
- Dec. 8—In Geneva, Rhodesian Prime Minister Ian Smith returns to head the white negotiating team. He left Geneva for Salisbury last month when the talks were deadlocked.
- Dec. 10—In London, U.S. Secretary of State Henry Kissinger confers with British Foreign Secretary Anthony Crosland and Geneva conference chairman Ivor Richard.
- Dec. 12—Prime Minister Smith leaves Geneva and returns to Salisbury. He accuses the British of "pandering" to the black nationalists at the conference.
- Dec. 14—In Geneva, Britain adjourns the conference on Rhodesia until January 17, 1977.

United Nations (See also *Intl, Middle East*)

- Dec. 1—By a 116 to 0 vote with the U.S. abstaining, Angola becomes the 146th member of the United Nations.
- Dec. 7—On the second ballot in the Security Council, Secretary General Kurt Waldheim wins a 2d five-year term as Secretary General.
- Dec. 8—The General Assembly ratifies the election of Kurt Waldheim as Secretary General.
- Dec. 14—The Security Council agrees to a 6-month extension of the mandate of the U.N. peacekeeping force on Cyprus.

Dec. 19—Western Samoa is admitted as the 147th member of the U.N.

Dec. 20—By a 107-6 vote, the General Assembly approves a resolution endorsing Namibia's "armed struggle" for independence from South Africa.

Dec. 23—The General Assembly ends its 3-month 1976 session.

ALGERIA

Dec. 11—In the first election in 13 years, President Houari Boumedienne is reelected President by 99.5 percent of the 96-percent voter turnout.

ANGOLA

(See *Intl, U.N.; Cuba*)

ARGENTINA

Dec. 7—Colonel Juan Pita, head of the Argentine delegation to the International Labor Organization, escapes from the leftist guerrillas who kidnapped him May 30, 1976.

Dec. 15—In Buenos Aires, a bomb explodes in the Ministry of Defense; 11 people are killed and 23 are injured.

Dec. 31—27 more suspected left-wing guerrillas are killed by government security forces; 1,476 people have been killed in 1976 by political violence.

BANGLADESH

Dec. 7—*The New York Times* reports that nearly 100 people have been arrested by the government of General Ziaur Rahman, chief martial law administrator, who seized power in November.

BRAZIL

Dec. 31—Finance Minister Mario Simenson reveals that inflation reached 46 percent in 1976, the highest inflation rate since the military government took power in 1964.

CANADA

Dec. 6—Quebec's Minister of Intergovernmental Affairs Claude Morin says that the recent victory of the Quebecois will help Quebec become "the master of its own affairs."

Dec. 16—The government issues new guidelines for crown corporations with international affiliations.

Dec. 22—The government announces more stringent restrictions on the sale of nuclear materials abroad.

Dec. 26—In a televised interview, Prime Minister Pierre Elliott Trudeau says that he will not lead Canada into civil war over the issue of separatism in Quebec Province.

CENTRAL AFRICAN EMPIRE

Dec. 4—President for life General Salah Eddine Ahmed

Bokassa renames his country the Central African Empire and becomes Emperor.

CHILE

(See also *U.S.S.R.*)

Dec. 18—Ambassador to the U.S. Manuel Trucco says that only 1 political prisoner is still in jail under the state-of-siege law. He is Jorge Montes, a former Communist official. 400 people are still in jail; they were arrested since September, 1973, when the Marxist government of President Salvador Allende Gossens was overthrown.

Dec. 21—In Washington, D.C., the World Bank approves 2 loans to Chile totaling \$60 million. The U.S. votes to approve the loans despite charges that the Chilean government tortures political prisoners.

CHINA

Dec. 2—Hsinhua, the government press agency, reports that Chiao Kuan-hua has been dismissed as Foreign Minister and replaced by U.N. delegate Huang Hua.

Dec. 7—*Jenmin Jih Pao*, the Communist party newspaper, carries a front page story claiming that 2 years ago Chairman Mao Tse-tung told his wife, Chiang Ching, that he never wanted to see her again.

Dec. 18—An article in *Jenmin Jih Pao* says that Chiang Ching and 3 other disgraced Politburo members reworded a quotation of Mao Tse-tung's without permission from the party's central committee and that they published the reworded phrase in an editorial on September 16, 1976.

Dec. 20—An editorial in *Jenmin Jih Pao* calls for hard work, better management, and increased productivity and efficiency in China's factories.

Dec. 24—An agricultural conference in Peking reaffirms 1980 as the target date for mechanizing farming.

Dec. 28—In a speech at the agricultural conference, Chairman of the Communist party Hua Kuo-feng says that government and party workers who came to power because of Chiang Ching and 3 other Politburo dissidents will be purged in 1977.

Dec. 29—A report from Peking says that government troops have been sent to Paoting, a city 100 miles south of Peking, to put down rioting by supporters of Chiang Ching.

Dec. 30—A government official says that the unrest in Paoting that began on December 20 is being put down by government troops. Militants are reportedly "beating, smashing, looting" in an attempt to gain power.

COMORO ISLANDS

Dec. 26—Foreign Minister Abdallah Mouzaour reports that 1,000 Comorians were killed and 1,000 were injured in fighting last week between Malagasy

and Comorian immigrants in the northwest area of Madagascar.

CUBA

Dec. 3—On the 20th anniversary of the Cuban revolution, Prime Minister Fidel Castro is named the “supreme power of the nation,” according to a radio broadcast monitored in Miami.

Dec. 8—Visiting in Havana, Angolan Prime Minister Lopo do Nascimento signs a series of agreements with the Cuban government.

EGYPT

(See also *Intl, Middle East*)

Dec. 19—In Cairo, President Anwar Sadat meets with Syrian President Hafez al-Assad.

Dec. 21—It is announced simultaneously in Cairo and Damascus that the 2 governments have agreed to form a “united political leadership” and that they agree to explore the possibility of a future union of the 2 countries.

FRANCE

Dec. 5—At a Gaullist party rally, former Prime Minister Jacques Chirac dissolves the Gaullist party and establishes a new party, the Assembly for the Republic. He is elected president of the new party by 96.5 percent of those voting.

GERMANY, FEDERAL REPUBLIC OF (WEST)

Dec. 12—Leaders of the conservative Christian Social Union and the Christian Democratic Union agree to vote in Parliament as a bloc.

Dec. 14—Karl Carstens, a Christian Democrat, is elected president of Parliament.

Dec. 15—Helmut Schmidt, a Social Democrat, is re-elected Chancellor by Parliament. He receives 250 votes, one more than is required.

GRENADA

Dec. 8—The government radio reports that the ruling United Labor party of Prime Minister Eric Gairy has been reelected in today's election.

HUNGARY

Dec. 6—In Vienna, First Secretary of the Hungarian Working People's (Communist) party Janos Kadar visits Austrian Chancellor Bruno Kreisky. This is the first time Kadar has been to a Western country since the anti-Soviet uprising 20 years ago.

INDIA

Dec. 16—Nandini Satpathy, the pro-Communist leader of the state of Orissa, is forced to resign as chief minister; Indira Gandhi puts the state under federal control.

Dec. 23—Prime Minister Indira Gandhi says that her

son, Sanjay, “is not going to be the Prime Minister or the President . . .,” but that he is a Congress party worker.

IRAN

Dec. 23—In Teheran, government security forces kill 8 alleged Marxist guerrillas and capture 11.

IRELAND

Dec. 3—Patrick Hillery takes the oath of office as President. He succeeds Cearbhal O Dalaigh.

ISRAEL

(See also *Intl, Middle East*)

Dec. 6—In the West Bank area, Arab merchants strike to protest the imposition of an 8 percent value-added sales tax. They claim the Israeli government has no right to levy taxes on them.

Dec. 14—Sporadic protests are reported over the sales tax in towns along the Israeli-occupied area of the West Bank.

In a no-confidence vote in Parliament, 10 members of the National Religious party abstain from voting; the vote is 55 to 48 against the no-confidence motion introduced by the Torah Front to protest the timing of a military ceremony that ended just before the Sabbath.

Dec. 19—Because the National Religious party did not support him in the no-confidence vote, Prime Minister Yitzhak Rabin ousts 3 members of the National Religious party from the Cabinet and dissolves his ruling majority.

Dec. 20—Prime Minister Rabin dissolves Parliament and submits his resignation to President Ephraim Katzir. Rabin will head a caretaker government until elections are held in May or June, 1977.

ITALY

Dec. 1—In Rome, Giovanni Angelli, the chairman of Fiat, Italy's giant automobile manufacturer and her largest private employer, announces that the Libyan government has purchased 10 percent of Fiat for \$415 million. This is the first important Arab investment in Italy.

Dec. 2—A parliamentary committee accuses former Prime Minister Mariano Rumor and 2 former Defense Ministers, Luigi Gui and Mario Tanassi, of corruption and fraud in their dealings with the U.S. Lockheed Aircraft Corporation.

Dec. 6—In Washington, D.C., Prime Minister Giulio Andreotti confers with U.S. Secretary of State Henry Kissinger and U.S. President Gerald Ford. Andreotti asks the U.S. for financial assistance.

Dec. 18—Parliament votes to permit a free-trade area in Trieste.

JAMAICA

- Dec. 15—Parliamentary elections are held.
Dec. 16—Election returns give Prime Minister Michael Manley a landslide victory. The latest count gives Manley's People's National party 42 sure seats with a possible 5 more; the opposition Jamaica Labor party wins 6 sure seats with a possible 6 more.

JAPAN

- Dec. 5—Elections are held for more than 500 seats in the lower house of Parliament.
Dec. 6—Final returns from yesterday's elections give the ruling Liberal-Democrats 249 of the 511 seats; they formerly held 46.9 percent and now hold 41.8 percent of the seats. They must hold 271 seats to control all parliamentary committees.
Dec. 17—Prime Minister Takeo Miki resigns as Prime Minister and leader of the Liberal-Democrats.
Dec. 23—Takeo Fukuda is elected leader of the Liberal-Democrats.
Dec. 24—Takeo Fukuda is elected Prime Minister. He has a 2-vote margin in the lower house and a 1-vote margin in the upper house.
Fukuda appoints Ichiro Hatoyama as Foreign Minister; he names Hideo Bo Finance Minister and Hajime Fukuda head of the Justice Ministry.

KOREA, REPUBLIC OF (SOUTH)

- Dec. 4—President Park Chung Hee fires Shin Jik Soo as head of the Korean Central Intelligence Agency; he names Kim Jae Kyu as the new director. President Park reassigns 5 Cabinet ministers.
Dec. 8—Students at Seoul National University protest the government's involvement in attempts to bribe U.S. congressmen. The scandal in Washington, D.C., has not been made public in Korea until today.
Dec. 10—Korean sources report that South Korean Major General Kim Yung Hwan, chief of the U.S. office of the South Korean Central Intelligence Agency, has been persuaded to return to Seoul.
Dec. 29—The Court of Appeals upholds the convictions of former opposition presidential candidate Kim Dae Jung and 17 other dissidents on charges of anti-government activities; however, the court reduces their sentences.

LEBANON

(See also *Intl, Middle East*)

- Dec. 2—A spokesman for the International Red Cross says that nearly 300,000 people are homeless because of the fighting in Lebanon.
Dec. 4—Palestine Liberation Organization leader Yasir Arafat agrees to surrender his Lebanese forces' heavy weapons to the Syrians in exchange for Syrian protection and diplomatic assistance.
Dec. 9—President Elias Sarkis accepts the resignation

of the caretaker Cabinet of Prime Minister Rashid Karami. Sarkis asks Selim al-Hoss to form a new Cabinet.

- Prime Minister Selim al-Hoss names an interim Cabinet comprised of 4 Muslims and 4 Christians.
Dec. 11—Ghassan Haidar, Governor of Bint Jbail in southern Lebanon, announces a ceasefire between Muslim and Christian factions.
Dec. 19—In Beirut, Syrian troops close 2 more newspapers; in the last 6 days, 7 newspapers have been closed.
Dec. 23—The Cabinet asks Parliament to permit it to rule by decree for 6 months.
Dec. 24—Parliament grants the Cabinet emergency powers.
Dec. 25—A spokesman for the Popular Front for the Liberation of Palestine says that a member of the Popular Front's central committee and his wife were murdered last night in western Beirut.

LIBYA

(See *Italy, U.S.S.R.*)

MAURITIUS

- Dec. 20—Parliamentary elections are held.
Dec. 22—Election returns give the Militant Mauritian Movement 30 seats in the 62-seat Parliament; the ruling Labor party of Prime Minister Sir Seewoosagur Ramgoolam wins 25 seats and the Social Democrats win 7 seats.

MEXICO

- Dec. 1—José López Portillo takes the oath of office as President. In his inaugural address, he calls for economic and political stability and "an end to panic-stricken and frantic activity."
Dec. 7—Mexico City federal court Judge Carlos de Silva y Nava rules that former President Luis Echeverría Alvarez's expropriation of 250,000 acres of land in the state of Sonora was illegal and that the land must be returned to its former owners.
Dec. 12—Landless peasants continue to occupy nearly 100,000 acres of farmland in northwestern Sinaloa.
Dec. 24—The government announces plans to increase the price of exported oil by 10 percent and to increase the sale of crude oil from 105,000 barrels a day to 400,000 barrels a day by 1982.

NAMIBIA

(See also *Intl, U.N.*)

- Dec. 3—In Windhoek, the constitution committee, which has been meeting for the past 15 months, adopts a resolution calling for the establishment of an interim government until South Africa grants Namibia complete independence.

NAURU

Dec. 23—Parliament votes to oust the country's 1st President, Hammer Deroburt, and elects Bernard Dowiyogo as President of the 8-square-mile island located midway between Hawaii and Australia. The phosphate-rich republic became independent from Australia in 1968 and has the world's highest per capita income, \$22,500.

PHILIPPINES

Dec. 4—In Washington, D.C., it is announced that President Ferdinand E. Marcos has rejected the tentative agreement worked out between U.S. Secretary of State Henry Kissinger and Philippine Foreign Minister Carlos Romulo. Under the agreement, the U.S. government was to give Manila \$1 billion in economic and military aid over the next 5 years in exchange for continued U.S. use of military bases in the Philippines.

Dec. 24—A ceasefire goes into effect between Muslim rebels and government troops in the southern Philippines.

Dec. 26—President Marcos promises to hold a referendum in 13 southern provinces "to determine which of them want to be part of an autonomous Muslim region." No date is set for the referendum.

POLAND

Dec. 1—Edward Gierek, Communist party leader, tells the central committee that the country's need to import \$1.5 billion worth of grain and meat has forced a reduction in investments for economic development.

PORTUGAL

Dec. 3—A government commission reports that between April, 1975, and November, 1975, the leftist military government committed systematic acts of torture and made arbitrary arrests.

Dec. 12—Nationwide elections for local officials are held.

Dec. 13—Almost complete election returns give the Socialist party nearly 33 percent of the vote, the Social Democrats win 24.5 percent, and the Communists, 17.7 percent.

Dec. 31—In a joint Portuguese-U.S. statement issued in Lisbon, it is reported that the U.S. will lend Portugal \$300 million to save the government from a financial crisis.

RHODESIA

(See also *Intl, Rhodesian Conference*)

Dec. 5—3 Roman Catholic missionaries are killed and 1 is wounded by a black nationalist guerrilla.

Dec. 17—Rhodesian troops and jet fighters pursue black nationalists into Mozambique; 51 guerrillas are reported killed.

Dec. 20—On a tea plantation near the Mozambique

border, 26 black workers are machine-gunned to death, reportedly by black nationalists.

In Maputu, Mozambique, a Zimbabwe People's Army spokesman says that the black workers were killed by "black mercenaries in the Rhodesian forces" and not by nationalist guerrillas.

Dec. 29—In Salisbury, 2 black members of the white-dominated Cabinet resign to form the Zimbabwe United People's Organization.

Dec. 30—In Lusaka, Geneva conference chairman Ivor Richard suggests that both Rhodesian blacks and whites swear an oath of allegiance to the British crown to assure a peaceful transfer of power.

SOUTH AFRICA

(See also *Intl, U.N.*)

Dec. 3—In black townships outside Cape Town, police arrest 120 people; in the last 2 days, 300 people have been arrested for rioting.

Dec. 7—In Johannesburg, a bomb explodes in a white restaurant, severely wounding the man carrying the bomb.

Dec. 8—Justice Minister James T. Kruger says that the recent bomb explosion may be the beginning of urban guerrilla warfare by anti-government militants.

Dec. 20—The government releases 13 of the 81 political detainees whose release was promised by Justice Minister Kruger; 68 are still being held without trial. 350 others, mostly blacks, are also being held.

Dec. 27—In fighting between 2 rival black groups in two black townships outside Cape Town, 20 blacks are killed, 200 homes are raided and 90 have burned to the ground. Young militant blacks are demanding that Christmas be a time of mourning and not of celebration.

Dec. 28—Fighting between black groups breaks out in 2 more black townships; the death toll for the last 3 days reaches 70.

SPAIN

Dec. 2—Members of 42 opposition parties agree to establish a 10-member committee, including 1 Communist, to negotiate the arrangements for next year's parliamentary elections.

Dec. 5—In Madrid, the 27th congress of the Spanish Socialist Workers party begins a 3-day meeting, its first in 44 years.

Dec. 6—In Madrid, the European branch of the World Jewish Congress ends a 3-day meeting, the 1st international Jewish meeting ever held in Spain.

Dec. 11—Antonio Maria de Oriol y Urquijo, president of the advisory Council of State, is kidnapped.

Dec. 15—A national referendum is held to determine whether to hold free elections next year for a new Parliament.

Dec. 16—Election returns show 94.2 percent of the

voters in favor of parliamentary elections; only 2.6 percent of the voters cast ballots against the elections.

Dec. 17—In a televised broadcast, Interior Minister Rodolfo Martin Villa rejects the demands of the kidnappers of the president of the Council of State. The kidnappers demand that the government declare a general amnesty for all political prisoners.

Dec. 20—In Barcelona, Prime Minister Adolfo Suárez announces that the government will recognize the Catalan and the Spanish languages equally in the regional bureaucracies of 4 provinces of Catalonia.

Dec. 22—In Madrid, general secretary of the Communist party Santiago Carrillo is arrested. He entered Spain illegally in February, 1976.

Dec. 30—Santiago Carrillo is released from prison on \$4,400 bail. In effect, he receives permission to live legally in his own country.

The government abolishes the Court of Public Order, a court established under Generalissimo Francisco Franco to try political cases.

In another reform measure, the government announces that civilian courts rather than the Supreme Court of Military Justice will hear cases of "terrorism."

SWEDEN

Dec. 3—The government supports legislation to encourage the development of nuclear power plants. Prime Minister Thorbjorn Falldin campaigned against the nuclear power program before the parliamentary election in October.

SYRIA

(See also *Intl, Middle East; Egypt*)

Dec. 1—In Damascus, Foreign Minister and Deputy Prime Minister Abdel Halim Khaddam is shot and wounded by an unidentified assailant. He is reported in good condition.

Dec. 2—Iraqi radio reports that members of a Palestine Liberation Organization extremist group called Black June have claimed responsibility for the attack on Khaddam.

TAIWAN

Dec. 25—Prime Minister Chiang Ching-kuo announces that the government is holding 254 people in jail for seditious activities.

THAILAND

Dec. 12—The government announces that 2 former military leaders—Field Marshal Praphas Charu-sathien, former Deputy Prime Minister, and Colonel Narong Kittikachorn—will be permitted to return.

U.S.S.R.

Dec. 6—In Moscow, Libyan leader Muammar el-Qaddafi meets with Communist Party Secretary Leonid I. Brezhnev.

Dec. 10—The government announces "temporary measures" that extend Soviet offshore fishing limits to 200 miles.

Dec. 14—Oleg A. Troyanovsky succeeds Yakov A. Malik as Soviet Ambassador to the United Nations. Malik is appointed Deputy Foreign Minister.

Dec. 18—A prominent Soviet dissident, Vladimir K. Bukovsky, who has been serving a 7-year prison term on charges of anti-Soviet agitation, is flown to Zurich airport and released in exchange for the release of Chilean Luis Corvalán Lepe, chief of the Chilean Communist party, who has been in prison in Chile since 1973, when Salvador Allende Gossens was overthrown.

Dec. 27—The government announces plans to increase the wages of nearly 31 million workers by about 18 percent over the next 5 years.

UNITED KINGDOM

Great Britain

Dec. 4—In a by-election in Cambridge, the Conservative party wins a seat previously held by the Labor party; Labor's majority in the House of Commons is reduced to 1.

Dec. 14—The government reports that the trade deficit for the month of November increased by \$261 million, to about \$854 million.

Dec. 15—In order to qualify for a \$3.9-billion loan from the International Monetary Fund, Chancellor of the Exchequer Denis Healey presents austerity measures to the House of Commons; he proposes cuts of \$1.69 billion in public spending in 1977 and \$2.51 billion in 1978; he asks for higher taxes on alcohol and tobacco and says that the government plans to raise \$800 million by selling a large part of its majority holding in British Petroleum.

Dec. 21—Minister of Overseas Development Reginald Prentice resigns from the Cabinet.

UNITED STATES

Administration

Dec. 1—38-year-old Steven B. Williams of Santa Fe, N.M., attempts to drive his pick-up truck through the front White House gates; he is stopped by a newly installed barrier system and arrested by White House guards.

Dec. 3—President-elect Jimmy Carter announces the selection of Cyrus R. Vance, former Deputy Secretary of Defense under President Lyndon Johnson, as Secretary of State and Georgia banker Thomas B. Lance as director of the Office of Management and Budget.

At a nationally televised news conference in Washington, D.C., President-elect Carter says he will not ask Congress for authority to impose wage and price controls.

Dec. 14—President-elect Carter selects Bendix Corporation board chairman W. Michael Blumenthal as Secretary of the Treasury and Representative Brock Adams (D., Wash.) as Secretary of Transportation.

Dec. 15—Federal Energy Administrator Frank Zarb outlines a plan he sent to Congress on December 14, under which the government would buy and store in Gulf Coast caverns up to 500 million barrels of crude oil to help cushion any oil shortage.

Dec. 16—The nationwide swine flu inoculation program is halted by the Department of Health, Education and Welfare because of a possible link between the shots and a rare form of paralysis; to date, 94 cases of the paralysis known as the Guillain-Barré syndrome have been reported, with 4 fatalities.

President-elect Carter chooses Representative Andrew Young (D., Ga.) as chief U.S. delegate to the United Nations, Charles L. Schultze as chairman of the Council of Economic Advisers and Columbia University Professor Zbigniew Brzezinski as special assistant to the President for national security affairs.

Dec. 18—President-elect Carter chooses Idaho's Governor Cecil D. Andrus as Secretary of the Interior.

Dec. 20—President-elect Carter names former federal Judge Griffin B. Bell as his Attorney General and Duke University Vice President Juanita M. Kreps as Secretary of Commerce.

Dec. 21—President-elect Carter selects California Institute of Technology President Harold Brown to be his Secretary of Defense, Washington lawyer Patricia Roberts Harris to be Secretary of Housing and Urban Development, and University of Texas Professor F. Ray Marshall to be Secretary of Labor.

The Liberian-flag tanker *Argo Merchant*, aground on Nantucket shoals since December 15, breaks in half and spills 5 million gallons of heavy crude oil into the ocean. Environmental Protection Agency Administrator Russell Train calls the spill "the biggest oil spill disaster on the American coast in our history," and notes that it poses long-term environmental danger to the Georges Bank fishing area.

Dec. 23—President-elect Carter completes his Cabinet, naming Joseph A. Califano, Jr., as Secretary of Health, Education and Welfare; he also selects Theodore C. Sorensen, a New York lawyer, as director of the Central Intelligence Agency, and former Defense Secretary James R. Schlesinger as special presidential assistant for energy affairs.

Dec. 27—President-elect Carter flies to St. Simons Island, Ga., for meetings with his future Cabinet and a selected group of advisers.

Citing "foreign policy reasons," President Ford rejects a Civil Aeronautics Board (CAB) plan sent to him for approval in July, 1976; the plan would

expand Atlantic air routes and add additional gateway cities. The President returns the plan to the CAB for further study.

Dec. 31—In a surprise statement at Vail, Colorado, President Ford proposes that "the people of Puerto Rico and the Congress of the United States begin now to take steps which will result in statehood for Puerto Rico"; Puerto Rico would become the 51st state.

The National Center for Health Statistics reports that 14.2 percent of recorded births in 1975 were illegitimate, a 7 percent increase over 1974.

Economy

Dec. 3—The Labor Department reports that prices on its wholesale price index showed a 0.6 percent rise for November, 1976.

Dec. 29—The Department of Commerce reports that the composite index of leading indicators rose 1 percent in November; in October, the index rose 0.6 percent.

Foreign Policy

Dec. 2—President-elect Carter's press secretary Jody Powell reports that Soviet Communist Party Secretary Leonid Brezhnev has promised the Soviet Union will "go out of its way" to avoid any crisis with the U.S. in the early days of the Carter administration; the pledge was reported by U.S. Secretary of the Treasury William Simon when he returned from Moscow.

Dec. 9—For the 2d time in 2 days, the State Department refuses to accept South Korean government protests of alleged U.S. electronic surveillance in the office of South Korean President Park Chung Hee.

Dec. 17—In a statement from the White House, President Ford praises the "international responsibility" shown by Saudi Arabia, who has refused to raise oil prices more than 5 percent; at the same time, he strongly denounces the other OPEC members, who have announced a 2-step, 15 percent increase in oil prices.

Dec. 18—The Commission on United States-Latin American Relations, a private consultative body, calls for a new U.S.-Panama treaty on the Panama Canal.

Dec. 22—In London, *Jane's All the World's Aircraft* urges the U.S. to build B-1 bombers at once to correct the imbalance between Soviet and U.S. air forces.

Dec. 25—*The New York Times* reports that a Central Intelligence Agency estimate of Soviet strategic objectives for the next 10 years is "more than somber—it [is] grim. It flatly states . . . that the Soviet Union is seeking superiority over United States forces. . . ."

Dec. 31—Incoming Secretary of State Cyrus Vance names Los Angeles lawyer Warren M. Christopher

as Under Secretary of State and Yale economist Richard N. Cooper as Under Secretary for Economic Affairs.

Labor and Industry

Dec. 4—The International Brotherhood of Teamsters announces a tentative settlement of the 74-day strike against the United Parcel Service; 18,000 employees in 15 Eastern states have been on strike for 74 days.

Dec. 10—The Environmental Protection Agency orders the Chrysler Corporation to recall 208,000 1975 model cars for what the agency claims are faulty designs leading to excessive pollution.

Dec. 13—United Parcel Service employees return to work.

Dec. 30—To settle a \$3 million suit, the U.S. Steel Corporation agrees to spend \$600 million to end the pollution at its Clairton Coke Works.

Legislation

Dec. 6—Democrats select Representative Thomas P. O'Neill, Jr. (D., Mass.), as Speaker of the House and Jim Wright (D., Tex.) as majority leader in the 95th Congress; the House must vote on these selections when Congress convenes on January 4, 1977.

Dec. 8—Democrats choose Representative John Brademas (D., Ind.) as House majority whip.

Dec. 15—Representative G. V. Montgomery (D., Miss.), chairman of the House Select Committee on Missing Persons (MIA's) in Southeast Asia, issues a committee report that concludes that no Americans are still held prisoner in Southeast Asia and that those missing in action are in fact dead. The Pentagon still lists 728 MIA's and 33 as prisoners.

Dec. 16—The Senate Select Committee on Intelligence begins an investigation into covert operations in this country by the intelligence arms of "friendly" foreign governments; reportedly, the committee is investigating the activities of agents of Chile, Iran and South Korea.

Military

Dec. 2—The Defense Department approves an initial contract in a \$22.8-billion program to produce the B-1 strategic bomber; the arrangement gives the Carter administration 5 months to review the whole program.

Dec. 14—President Ford and the Office of Management and Budget approve a defense budget of \$123 billion to be presented to Congress in January, 1977.

Political Scandal

(See also *Korea, South*)

Dec. 16—In Washington, D.C., federal district court Judge John Smith, Jr., rules that former President Richard Nixon, former Attorney General John Mitchell and Nixon White House chief of staff H. R. Haldeman deprived former White House aide Mor-

ton Halperin and his family of their constitutional rights by having their telephone tapped for an extended period; the judge will assess the damages to be paid to Halperin at a later date.

Dec. 22—Justice Department sources say that a federal grand jury is hearing allegations that, in a 1973 Senate investigation of International Telephone and Telegraph Corporation activities in Chile, high officials of the corporation and the Central Intelligence Agency conspired to fabricate and coordinate the statements that were presented to the investigating panel.

Politics

Dec. 7—President Gerald Ford meets with Ronald Reagan, former California Governor, Vice President Nelson Rockefeller and former Texas Governor John Connally at the White House to discuss the future of the Republican party.

Dec. 13—The 538 electors of the electoral college cast their votes for President of the U.S.; the results will be given to Congress when it convenes in January; Jimmy Carter receives 297 votes, Gerald Ford receives 240 votes; Reagan, 1 vote.

Dec. 29—Minnesota Governor Wendell R. Anderson resigns; Lieutenant Governor Rudolph G. Perpich succeeds him and appoints Anderson to the U.S. Senate seat that will be vacated by Vice President-elect Walter Mondale on December 30.

Supreme Court

Dec. 6—The Supreme Court upholds a July, 1976, federal district court ruling in Connecticut that upholds the principle of closed primary elections.

Dec. 7—The Supreme Court rules 6 to 3 that private employers who provide compensation for employees unable to work because of a broad range of disabilities need not compensate women for absence caused by pregnancy.

Dec. 13—By a unanimous decision, the Court rules that divorced women can be excluded from a "wife's insurance benefits program" for mothers caring for young or disabled children provided for under Social Security.

VIETNAM

Dec. 14—The first Vietnamese party congress since 1960 opens in Hanoi. More than 1,000 delegates and representatives from nearly 30 other Communist parties attend.

Dec. 15—Proposals detailing resettlement plans for nearly 1 million people are submitted to the party congress.

WESTERN SAMOA

(See *Intl, U.N.*)



AVAILABLE From Current History

Academic Year 1976-1977

- | | |
|---|---|
| <input type="checkbox"/> Women in America (5/76) | <input type="checkbox"/> Africa, 1976 (11/76) |
| <input type="checkbox"/> Criminal Justice in America (6/76) | <input type="checkbox"/> Southeast Asia, 1976 (12/76) |
| <input type="checkbox"/> Reforming the Criminal Justice System (7-8/76) | <input type="checkbox"/> The Middle East, 1977 (1/77) |
| <input type="checkbox"/> The People's Republic of China, 1976 (9/76) | <input type="checkbox"/> Latin America, 1977 (2/77) |
| <input type="checkbox"/> The Soviet Union, 1976 (10/76) | <input type="checkbox"/> Mexico, 1977 (3/77) |
| | <input type="checkbox"/> Canada, 1977 (4/77) |

Still Available

AREA STUDIES

- ☐ Scandinavia and the Low Countries (4/76)
- ☐ Nations of East Europe (3/76)
- ☐ Latin America, 1976 (2/76)
- ☐ The Middle East, 1976 (1/76)
- ☐ Southeast Asia, 1975 (12/75)
- ☐ The Soviet Union, 1975 (10/75)
- ☐ The People's Republic of China, 1975 (9/75)
- ☐ World Food Resources (6/75)
- ☐ Nations of Africa (5/75)
- ☐ Japan in the Seventies (4/75)
- ☐ Nations of West Europe (3/75)
- ☐ The People's Republic of China, 1974 (9/74)
- ☐ Britain in the Seventies, 1974 (3/74)
- ☐ Nations of the Pacific, 1973 (11/73)

AMERICAN ISSUES

- ☐ Women in America (5/76)
- ☐ The American Economy (11/75)
- ☐ The American Indian (12/74)
- ☐ Changing Black America (11/74)
- ☐ American Political Reform (8/74)
- ☐ The American Two-Party System (7/74)
- ☐ The American Presidency (6/74)
- ☐ Social Welfare in America Tomorrow (8/73)
- ☐ American Social Welfare in Perspective (7/73)
- ☐ The Dimensions of Poverty in America (6/73)
- ☐ Urban America (11/70)
- ☐ Options for a Cleaner America (8/70)
- ☐ America's Polluted Environment (7/70)
- ☐ U.S. Resources: A Tally Sheet (6/70)

CURRENT HISTORY BINDER

A sturdy, hard-cover binder at a reasonable cost will protect *Current History* for permanent reference. Each issue can be placed in the binder every month. The easy-to-use binder holds 12 issues securely in place over flexible steel rods.

ONE-YEAR SUBSCRIPTION: \$14.50. **TWO-YEAR SUBSCRIPTION:** \$28.50.

EIGHT-MONTH SUBSCRIPTION: \$11.60.

SPECIFIC ISSUE PRICE: \$1.75 per copy; 10 or more copies of the same issue, \$1.25.
Copies more than two years old, \$2.00 per copy.

EIGHT-MONTH BULK SUBSCRIPTIONS FOR CLASS USE: for 10 or more subscriptions mailed to the same address, \$9.95 each.

BINDER PRICE: \$4.95.

CURRENT HISTORY • 4225 Main Street • Philadelphia, Pa. 19127

SPECIAL SUBSCRIPTION OFFER: your choice of 3 free issues.

- ☐ 1 year \$14.50, plus 3 free issues marked above.
- ☐ 2 years \$28.50, plus 3 free issues marked above.
- ☐ Please send me the issues I have indicated above in the quantities I have marked.
- ☐ Send me 8-month subscriptions.

CURRENT HISTORY BINDER

- ☐ Current History Binders
at \$4.95 each.

Name

Address

City State Zip Code.....

☐ Check enclosed. ☐ Bill me. Add \$1.00 per year for Canada; \$1.50 per year for foreign.

All these offers are good only on orders mailed directly to the publisher.

Specific issue price and bulk subscriptions based on a single mailing address for all issues ordered.

CELEIBPERA9 DM 001 C DEC77
AMBASSADOR COLLEGE
LIBRARY
PERIODICALS